Wf. 63, 1974
Part I

ot with kid gloves

THE MONSOON is being delayed. No great harm has been done yet, for it should certainly be possible for the rains to make up for their late start once they have arrived. Nevertheless, considering ecarious nature of the food economy, the government would be well-advised to do hing in its power to ensure that the people's morale is kept up in the difficult is immediately ahead of us. This would mean, above all, that the revised wheat should be made to work. As had been argued in these columns before, this is superior in both logic and practical terms to the unfortunate and happily ived exercise in the state takeover of the wholesale trade in wheat which had so disrupted the delicate checks and balances in the national food budget. We see son to change or even modify this view in any significant respect and we would ore insist on the point that, should the current wheat policy in fact fail to deliver oods, it would only be because the government's political will and administrative inery together prove unequal even to the minimum responsibilities placed on them e current scheme of regulation of the prices and distribution of wheat.

state governments and other concerned administrations have sufficient powers to prevent hoarding or punish profiteering and it is necessary that they should ese powers to the full in the basic interests of our people. In UP, where the withing of marketable surpluses of wheat at the farm level seems to have assumed us proportions, the state government has been showing some concern for public re and has been carrying out dehoarding operations. The question however ins whether its enforcement of the law is indeed as extensive or intensive as it t to be. Simultaneously there is justification for even greater uneasiness being over the highly suspicious inaction on the part of the state governments in Haryana Punjab where practically no effort is being made to exert sufficient pressure on the er farmers to market their surpluses of grain in the normal way. It has been alleged the wholesale trade itself is not playing the game by any means and that it is at least uding with the larger farmers in manipulating market arrivals or the flow of wheat government stocks or the open market in consuming areas. There is of course olutely no need even to give the benefit of the doubt to the wholesale trade in this ext and it is only just and proper that the law should be activated as vigorously ist traders as against farmers.

here disciplining the trade is concerned, the local authorities in the more important n consuming centres must be held largely accountable for the proper working of revised wheat policy. It is in the cities and bigger towns that the enforcement ials should keep strict watch over the trading connections and activities of wholetraders and bring to book such of them as may be engaged directly or indirectly anipulating market arrivals to the disadvantage of the public distribution system hat much larger body of consumers who are dependent either wholly or partially the open market.

the past few days the Delhi administration has been carrying out a series of raids rain godowns in the main *mandis* in and around the city. Public opinion must not actively support this policy but it should also organize itself to exert both moral political pressure on the authorities to carry out these raids on the scale and with efficiency needed to make them an effective deterrent to hoarding or profiteering. erwise, raids carried out in a half-hearted manner or without total integrity of pure on the part of the administration would only make a bad situation worse. Where ice action against hoarding or profiteering is ineffective either because it is inadequate ecause of other reasons, it will only succeed in driving stocks underground to a far ater extent than what might have been the case before the raids were launched. In t, there is already a complaint in the capital that the raids so far carried out have rely succeeded in denuding the open market of supplies and thereby causing greater dship to the people through aggravated scarcities leading to excessive prices for n limited stocks of grain as might still be clandestinely traded in.

Meanwhile, the chief executive councillor of the Delhi administration, Mr Radha nan, came out openly to allege that the raids were so mismanaged that only the ll fry was netted while the big fish were allowed to escape. This is too serious a rge to be ignored by the central government for it implies that the Delhi administion or that part of it which was directly concerned with the raids had conspired or en in collusion with the larger wholesale traders who might have been indulging in lpractices. The prime minister was no doubt criticised harshly in some quarters dealing sternly with the recent railway strike but at the same time the nation stood her and wholeheartedly supported her policy of applying the full rigours of the law those who would do harm to basic national interests. She may therefore rest assured at public opinion would solidly back her if the central government were to act in the me uncompromising manner for putting down, as in the case of the railway strike, e farming or trading interests who may be working against or even not cooperating fficiently with the present wheat policy.

eastern ECONOMIST

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Excellence in exports

FOR TWO successive years, 1972-73 and 1973-74, the nation's export earnings increased at an annual rate of about 22 per cent. Both volume and value contributed to this growth and, in addition, there was welcome diversification of the trade over a fairly wide range of both traditional and non-traditional items. Mr Y. T. Shah, secretary in the ministry of Commerce, who is also chairman of the Trade Development Authority (TDA), addressing its fourth annual general meeting, validly argued that these are trends which, whether considered separately or in combination, speak well of India's export performance in the recent past and augur well for the country's export prospects in the immediate future.

In judging the worth of all this progress in India's export trade, we must no doubt allow for the fact that, in the first place, world trade has been expanding rather faster than our country's share of it and, secondly, world-wide inflation, accompanied by steadily rising wage costs as well as consumption standards in many industrialized countries, has enabled India to sell more abroad at better prices. Nevertheless, the fact remains that the nation's export front has begun to show signs of a certain degree of dynamism both in terms of flexibility of production for export and in terms of an element of growing aggressiveness in the marketing intentions and techniques of our export trade and its related institutions—offical, semi-official or non-official.

The TDA's fourth annual report covering the period 1973-74 is itself a rich mine of information on the role which a promotional agency, functioning with the double advantage of government sponsorship and trade participation, could play in extending the frontiers of Indian activity in international trade. Unlike the State Trading Corporation of India, or other state trading institutions, the TDA does not engage itself in merchandising operations directly, but it is serving as a guide and mentor of exporters and, more particularly, of export-oriented manufacturers, by undertaking exercises which link product development to identification of market possibilities or relating potential markets to India's export capabilities. It is not necessary to labour this point because the concept, character and contribution of TDA has now become clearly understood and appreciated in the country's export trade circles. All the same, it would still be useful to emphasize the fact that the TDA has certainly enabled medium and small entrepreneurs and enterprises to develop self- confidence, nurse aspirations and build up credibility in the export field to an extent which must necessarily strengthen the structure and thrust of our export economy over a period.

The annual report claims that the TDA's promotional activities have been concentrated on product development related to goods which are attractive for export purposes in at least two ways: first, the country enjoys an advantage in labour costs in the manufacture of them and, secondly, the value added by manufacture is substantial. In the same manner in the matter of market development, the TDA has been directing its activity towards what are described as sophisticated consumer communities. With an office which has been functioning for some time in Frankfurt, another recently set up in New York, and a third to be organized in Tokyo in the near future, the TDA seems to have completed at least for the time being, the planning of its institutional machinery for exploring much of the highly industrialised parts of the world. There was apparently a suggestion that the TDA might also extend its feelers into the Persian Gulf region but as Mr Shah has pointed out, it would be safe for this agency not to spread itself too thinly over too wide an area or variety of market activity. At the same time, the project for exploring the Australian and New Zealand markets would be unreservedly welcomed especially as the TDA will be having an office in Japan. which is extensively trading with Australia. There is also the obvious need for India employing every means at its disposal t the fullest possible advantage of Aus liberal imports policy, which ha a certain bias in favour of good developing countries.

There has been some criticism TDA that its administration is heavy, its staffing expensive, its ex ture on its Frankfurt establis rather lavish and its general a one of rather being free with its ces perhaps because some o money is found from external sou assistance. It is always difficult t nounce opinions categorically in matters especially as there is a r judgments being domgatic or arb In any case quality is an expensiv duct, and any institution aiming d edly and deliberately at high stan for its services has a right to arg optimum rather than minimal inves in its manpower or organisa budget. All the same, there wou no harm in suggesting that, just must be the TDA's concern that I export trade must continuously be a at higher and higher unit value re tion, this agency itself should ende to achieve lower and lower unit for the better and still better serv may be expected to render to the na export economy in the coming Meanwhile the country may con late itself on the fact that, althou inception of the TDA some four ago was greeted with considerable ticism in many quarters, both o and non-official, its leadership management, in its difficult form years, have generally been proving selves to be equal to the pursuit o goals set for it.

Eastern Economist 30 Years Ago

JULY 7, 1944

The manufacture of Power Alcohol is a very important supplementary industry for the immediate purpose of conserving 'straight' petrol for vital defence requirements. From the point of view of our long-term needs also it is an essential industry as it will supplement petrol, of which India has no adequate domestic supplies and consequently has to rely heavily on imports. Furthermore, it affords a profitable outlet for molasses, the utilization of which is, at present, not possible for many Indian sugar mills. Mysore pioneered the way in the development of this important industry by installing a plant which was entirely the result of the efforts of local engineers. The Hyderabad State has a plant which produced in 1942 gallons per day and was reported to have a mum capacity of over 6 lakh imperial gal power alcohol of 99.5 per cent purity per The UP Government have also showed the rest in the project by taking steps to ens availability of all the molasses for the p while in Bihar the admixture of distilled spi petrol has been made compulsory for use for motor vehicles. But more still needs done. The peacetime requirements of the are about 25,000 gallons per day. It ha estimated that power alcohol could be expe meet 20 per cent of these requirements.

Banks must mobilise deposits

THE OUTLOOK for the borrowing programme of the central and state governments and public bodies for the c urrent financial year has to be reassessed in the light of recent developments. It is now doubtful whether the mobilisation of resources through open market loans attempted in 1973-74 can be excelled or even repeated because there will be keen competition for the lendable resources of credit institutions. The policy adopted by the Reserve Bank to prevent the liberal use of funds by industry and trade has been responsible for a distortion in the application and growth of deposits. In spite of the increase in the cash reserve ratio by four per cent to seven per cent over a period and in the statutory liquidity ratio by one per cent in December last year which, resulted in the immobilisation of funds of over Rs 600 crores, banks have been obliged to grant credit on a large scale for financing procurement operations, encouraging exports and helping industrial units to get over problems arising out of costlier replacements of raw materials and components.

The position has been complicated by smaller additions to deposits and it has now become difficult to estimate with reasonable accuracy what the increase in deposits of scheduled commercial banks will be in 1974. There has been no looking back in the past few years and the banking system has succeeded in meeting fully the needs of all classes of borrowers, thanks to the substantial growth in deposits. Actually in 1972 there was even the problem of the banking system utilising available funds remuneratively and individual banks were in fact competing even unfairly by offering concessional terms in order to secure big accounts. The trends in the last two busy seasons, however, have been entirely different and with an upsurge in advances, it has been necessary to be cautious when granting new credit limits. In 1972 the rise in deposits of scheduled commercial banks was Rs 1,444 crores. Advances rose by only Rs 519 crores and it became compulsory to increase investments by as much as Rs 531 crores even after reducing borrowing from the central banking institution by Rs 163 crores and augmenting cash balances by Rs 118 crores. In 1973, however, the picture changed completely. There was no doubt a more impressive growth in deposits by Rs 1572 crores, but advances also rose phenomenally accounting for an additional Rs 1,292 crores. With a need to comply with the stipulations relating to a higher cash reserve ratio, cash balances rose by Rs 366 crores. Investments therefore recorded a small rise of Rs 179 crores while borrowings from the Reserve Bank were additionally the large amount of Rs 203 crores. It will therefore be seen that the banking system was under heavy pressure. The support to the borrowing programmes of the central and state governments came mainly from the Life Insurance Corporation and Provident Funds.

The developments in the money market since the beginning of 1974 have been none too encouraging as deposits of member banks between December 28, 1973 and May 10, 1974 were higher by only Rs 353 crores against Rs 373 crores in the same period of 1973. On the other hands, advances rose by Rs 725 crores against Rs 574 crores. Cash balances declined by Rs 145 crores against Rs 26 crores while borrowings increased by Rs 176 crores against only Rs 50 crores. Investments had to be increased to the extent of Rs 51 crores against a net disinvestment of Rs 35 crores in the same period in 1973 because of the obligation to maintain a higher liquidity ratio.

When the scheduled commercial banks are feeling extended and the Reserve Bank is anxious that there should be significant reduction in the borrowings of the former and in the amount outstanding under the Bill market scheme, the question is being asked in money market circles whether the central and state governments will be able to raise the required amounts and the statutory electricity boards and financial corporations could issue bonds on the same scale as last year. The first phase of the borrowing programme of the centre has to be completed in the third week of July as the maturing $3\frac{3}{4}$ per cent loan outstanding for Rs 201. 64 crores falls due for payment on July 16. The government therefore announced on June 28, new loans totalling Rs 400 crores which should result in a net borrowing of about Rs 200 crores. The budget estimates for 1974-75 have placed gross borrowing at Rs 700 crores. The net amount is therefore higher at Rs 498.36 crores against the actual amount of Rs 471.84 crores gathered in 1973-74. When conditions in the money market were less unfavourable net borrowing of the centre in the last financial year was considerably lower than the record of Rs 587.02 crores established in 1972-73. It may be necessary for the Reserve Bank to stagger loan floatations ir order to secure the balance of over Rs 300 crores after the state loans are out of the way.

The state governments have to open the list for new loans in the last week of August as there are 14 maturing loans having an outstanding amount of Rs 98.49 crores. In 1973-74 there were no maturing loans and the amount raised was sizeable at Rs 165.88 crores. The credit institutions, the Life Insurance Corporation and the provident funds will therefore have to find at least Rs 300 crores before the end of August. The banking system has at the same time an obligation to reduce its borrowings and the assistance secured under the Bill market scheme. The outstanding amount under these two heads on May 10, 1974 was Rs 665 crores. If there is to be a reduction of even Rs 300 crores in the next three months and about 50 per cent of the net amount borrowed by the central and state governments has to be found by member banks, additional resources will have to be located for Rs 450 crores. The electricity boards also will be issuing their bonds and if the outlay in these bonds is assumed at Rs 50 crores the total will rise to Rs 500 crores. The anticipated reduction in borrowings and increase in investments can take place only if deposits rise by at least Rs 500 crores allowlng for the use of released cash balances of Rs 100 crores for investment purposes in the three-month period under reference.

It will therefore be clear that the offer of more attractive terms to the lenders cannot by itself ensure the success of the borrowing programme of the central and state governments. It is, of course, expected that the new loans will afford higher yields than those floated last year as the new bonds of state electricity boards are being issued at 6.25 per cent against six per cent in 1973. After the central and state government loans are out of the way, the scheduled commeroial banks will still be owing to the central banking institution over Rs 250 crores against use of refinance facilities and under the Bill market scheme, even assuming that the balance of Rs 100 crores of released cash balances had been applied for this purpose. If there has to be further borrowing by the centre in October and November, it is difficult to see how the targets for the current financial year will be fulfilled especially if the banking system is also to be enabled to accumulate surplus resources in order to be in a position to meet the needs of borrowers in the next busy season. The year 1974 is likely to be extremely uncomfortable for banks unless there are intelligent changes in credit controls and new techniques are devised for stimulating the growth of deposits.

Dual pricing of cement

IN A bid to ease the present acute scarcity of cement in the country, the union government is understood to be considering the introduction of a dual pricing system for this material. It is proposed to earmark about 50 per cent of the current cement output for use in governmental and public sector construction activities. The industry would be required to make available these supplies at a stipulated rate. The rest of the output is envisaged to be freed of both price and distribution controls. The industry would be allowed to sell it in the open market to the general consumers.

The idea is understood to have been mooted as a compromise between two diametrically opposed views—one seeking to continue price and distribution controls over cement, with a suitable increase in the present controlled price to compensate the industry for the rise in its production costs, and the other envisaging removal of both these controls so that demand and supply can be matched through the interplay of market forces. The protagonists of the former proposal, of course, are not averse to modifying the recommendations of the Tariff Commission which went into the cost of production of the industry last year so that in the revised controlled price, allowance can be made for the rise in the cost of manufacturing cement caused by the abnormal expansion in the prices spiral since the submission of the Tariff Commission's report. They cite in this connection the recent decision of the government on the controlled price of aluminium.

Those who have mooted the dual pricing system for the cement industry do not favour the continuance of price and distribution controls as they fear that if the controlled price has to be raised substantially to compensate the industry for the rise in its cost of production, the implementation of the fifth Plan programmes would be seriously jeopardized. They point out that already due to the persistent uptrend in prices, the Plan allocations for various programmes have to be modified significantly. If price control is lifted, they apprehend that the open market price of cement, at least for some time, will be much higher than the enhanced controlled price which may be fixed not only in terms of the Tariff Commission's report but also taking into consideration the increase in the cost of inputs after the submission of the Tariff Commission's report.

The dual pricing system, it is felt by its protagonists, will yield three beneficial results. First, while it will ensure a remunerative price to manufacturers, it will not unduly add to the construction costs of the governmental agencies and the public sector units. Secondly, the free mechanism will help eradicate the rampant black market in this construction material and the clandestine gains which are being made by the unscrupulous dealers would be mopped up by the industry. This will not only improve the profitability of the industry but also result in better collection of the various taxes on it. Thirdly, a better balance will be restored between the demand for and supply of cement.

No doubt, the earmarking of about 50 per cent output of cement for supply to the governmental construction agencies and public sector projects at a stipulated price will help in containing the cost of their construction plans. But it is extremely doubtful that dual pricing will help in eradicating black market in the co dity. The protoganists of this idea to ignore the fact that the major so of supplies to the black market are governmental construction agencies the public sector units. With sligh viations from the construction spec tions of these agencies, the contra are able to save sizeable quantiti cement which are routed to the market. Various malpractices are there in the distribution of cement instances of issue of bogus permits names of non-existent private consu are not wanting. The latter malprac of course, will go with the introdu of the dual pricing system, but the fo tendency, surely, can be expected t a fillip.

The major drawback of the dual pr system in cement, however, is that w as it will admittedly help in curta consumption by the general publ

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to some extent, there will not be any tive on the part of the governmental cies and the public sector units for omising in use of this construction rial. There is no denying the fact the use of cement can be reduced ficantly by modifying the governmend public sector construction specions without endangering the safety onstructions. Had this not been the cement could not have moved into black market from these sources. ently, what is expected of the general c should be applicable to the governcal and public sector agencies. The supply of cement warrants economy use not only by the general consubut also by the privileged governtal agencies and the public sector s.

There can however be no two opinions ut the meed for ensuring a remunerative price to the manufacturers of cement if fresh investment is to be attracted to this capital-intensive industry. In view of the present high capital costs, the Tariff Commission is reported to have suggested that a distinction should be made between the retention prices payable to the existing units and those applicable to substantial expansions and new units which would materialise in the future. It is also said to have recommended an automatic increase in retention prices whenever there is a rise in the cost of the main inputs of the industry, including the wages of labour. If the price and distribution controls over the cement industry have to be continued, not only will the controlled price of the commodity have to be increased but the distribution machinery will also have to be streamlined a lot. The latter task would, indeed, impose grave responsibilities on the government.

Will semibomla ure ?

E AUTHORS of SEMIBOMLA (Scheme Economists for Monetary Immobilisa- through Bond Medallions and cked Assets) have taken considerable e and pains to formulate a scheme ch, they hope, will result in an orderly traction of currency and also in ney supply with the public and thereby arrest inflationery pressures. the economists have devoted their ntion mainly to the monetary aspect le ignoring other factors which have ravated the rise in prices. It is that in the past three years alone e has been deficit financing of nearly 2500 crores even with the mobilisation izeable resources through fresh taxation heavy public spending has brought ut an unmanageable inflationery ation. The economists, however, have asked themselves whether the increase money supply has taken place on acnt of a rapid monetisation of the nomy and whether even in the absence deficit financing there will not be rease in money supply by more than e prer cent annually.

The main objective of SEMIBOMLA o effect a reduction in money supply 22-25 per cent and bring about also corresponding reduction in wholesale ices. It is not clear how the authors ve presumed that there will be an autoatic response to the offer of Bondedallions which will have a redumption te after ten years and which will also carry interest at 10 per cent on a compounded basis. The holders of currency notes below the denomination of Rs 100 are expected to utilise the opportunity for effecting savings on a basis where the invested amount will be protected against the erosion of inflation as the face value will be adjusted with the changes in the index of wholesale prices. With the currency in circulation consisting of lower denomination notes being nearly 45 per cent of the total, it will be incorrect to presume that the whole of this portion of currency in circulation can be reduced by 30 per cent as in the case of Rs 100 notes and above whose face value will be reduced by 30 per cent on stamping and with the issue of blocked special savings certificates.

It will of course be possible to freeze bank deposits in the manner prescribed and bring about a more definite reduction in deposit money with the public. But the banking habit will receive a rude set-back in the process and it has been already complained in banking circles that an air of uncertainty has been created regarding the future of deposits. There has been already a slowing down in the rate of growth of deposits in the past few months on account of the credit squeeze induced by the Reserve Bank through its controls and other factors. If the process of monetisation receives a set-back there will be need for larger currency in circulation and the large institutional support now assured for new loans and bonds of the central and state governments and public bodies cannot be taken for granted. The freezing of deposits in the prescribed manner will also prove inequitous to small savers and those in the lower and middle income groups.

On the operative side, however, the authors are quite clear in their thinking though they have not recognised fully the impact of imported inflation now being felt on the economy. With the withdrawal of currency through a reduction in the face value of high denomination notes and sale of Bond Medallions the Reserve Bank will have to cancel the backing against the withdrawn portion of currency held in the form of ad hoc securities. There will of course be a corresponding increase in the rupee debt in the form of block sales certificates issued to the holders of currency notes for the cancelled portion and to banks against blocked deposits. The total of the rupee debt will of course remain unchanged. Only there will be an increase in the interest burden though there will be no outgo annually in the form of interest charges until the redemption date. It may thus be said there will be an immediate "saving" in interest charges to the extent of Rs 150 crores a year though the extent of net saving will depend on the option exercised by the savers to secure a lower interest for ensuring a regular level of current income.

There is confusion however about the impact that the freezing of deposits will have on the investment portfolio of banks. It is perhaps presumed that there will not immediately be any change in the statutory liquidity ratio and there will initially have to be a substitution of government securities by blocked savings certificates for the amount of frozen deposits. If however it is anticipated that there will be a reduction in the demand for funds with a lowering of prices and a slashing also of credit limits for discouraging unnecessary borrowing, there may be larger disposable funds with the banking system and the central and state governments may be in a position to raise large amounts through new loans. This aspect of the problem of blocking of deposits and slashing of credit limits has not been properly visualised.

There is also to be no change in the external parity of the rupee as it has been suggested that export duties will have to be levied where it is found that Indian products have become highly competitive and attractive for overseas buyers. It has not been suggested however that there should be a reduction in import duties where such duties have had the effect of pulling up internal prices for the products concerned due to higher cost of imports. In the present context almost every

imported commodity is costlier than the Indian counterpart thanks to accelerated world-wide inflation following the international oil crisis. The main questions unanswered are: Can there be the anticipated reduction in internal prices simply because of a reduction in money supply on a stipulated basis? Will not shortages still persist and competition for securing available supplies prevent the desired drop in values? Even if attempts are made through fiscal measures and credit controls to keep in check inflationery pressures will it be possible to confine future growth in money supply to five per cent annually when it has been found in recent years that the growth in bank deposits, even after making an allowance for the stimulation of deficit financing, has been more than 50 per cent of the annual growth in money supply with the public?

Above all will it be possible to contain internal inflation when no proper cognisance has been taken of imported inflation? There are many other questions which remain unanswered. It can only be said that the scheme has not been practically conceived and has assumed rather facilely that there will be a reduction in prices in proportion to the decline in money supply. It has also not taken into account the serious damage that will be caused to confidence of the public in credibility of official policies and in the safety deposits with the banking system. Other measures will have to be conceived for controlling inflation, While deficit financing has to be completely eschewed, every effort will have to be made to remove the constraints on production in various sectors of the economy. Besides, the need of the hour is to lay the maximum emphasis on raising agricultural production, removing shortages of power and other forms of energy and eliminating transport bottelenecks.

Half-hearted measures

AMONG the new taxes proposed recently by Mr N.D Tewari, UP Finance minister, the upward revision of excise rates on liquor to earn an additional revenue of Rs 15 crores appeared to be the easiest measure. This single item accounts for nearly 50 per cent of the total additional revenue to be raised through fresh taxation. The Finance minister has claimed that most of the other measures have been directed towards people who can afford (or ought) to pay. For instance, increased rates of entertainment tax have been confined to higher denomination tickets, and would yield Rs 1.50 crores. Similarly, additional levy on hotel rooms is to be imposed only on expensive classes of accommodation, though the yield from this measure is likely to be modest at around Rs six lakhs. Enhancement of sales tax on certain articles ordinarily consumed by the affluent sections of society are expected to bring in another Rs 7.50 crores.

An increase in road tax to yield Rs 3.57 crores is essentially a broad-based measure and the impact is likely to be passed on to the common man through enhanced prices of commodities transported by road. It may be observed that the increase in road tax has been accompanied by the expansion of permissible load carrying limits of road transport vehicles, which should be examined carefully. The carriers are known to infringe the laws regarding carrying capacity, a practice which, besides affecting the durability of the vehicles also contributes to traffic accidents.

All the additional taxes are expected to yield just Rs 30.81 crores. In fact, taking into account the tax relief of Rs four crores on account of exemption from purchase tax of 4.5 per cent on wheat procured under the levy scheme, the net additional revenue will be around Rs 26.81 crores. The result of the taxation measures proposed by the UP Finance minister will be to reduce the deficit of Rs 72 crores (including the deficit brought forward from the previous year of Rs 28.41 crores) to Rs 45.11 crores. A spokesman of the UP government confirmed the fact that no thought had been given to find ways and means to cover this deficit. The reluctance of the state government to impose any new taxes, specially in the agricultural field on the lines recommended by the Raj committee on agricultural income-tax, confirms the lack of will to take any bold measures to solve problems.

Mr Tewari claimed that the state government proposed to take certain drastic steps to effect economy in expenditure. These steps appeared quite meaningful on paper, but their real worth will assume significance only when the expected results are visible. The steps listed include a 25 per cent cut in expenditure on renovation and repair of government buildings, stoppage of construction work on all non-functional government buildings which have not come up above plinth level, stoppage of any purchases of staff cars or other vehicles, ban on increase in provision for petrol, creation of non-Plan new posts only with the approval of the council of ministers and restriction on use of telephones and the use of STD dialing.

Mr Tewari has also proposed the implementation of an exchequer control system in the state to make the economy in expenditure effective. The system involves the fixing of periodical limits for every disbursing officer so that there is a month to month control over the total expenditure of the state government. In the initial stages the departments of Public Works, Irrigation and Forests, which make large payments, have been selected for this experiment. The state also proposes to scruitinise closely all non-Plan items of expenditure.

While the state is attempting to keep its finances in proper shape, it has tried to energise the economy through various non-budgetary measures. For instance, twelve new corporations are to pump institutional finance into various priority sectors. These corporations are: Food and Essential Commodities Corporation, Rickshaw-pullers Finance Corporation, Brassware Corporation, Leather Development Corporation, Electronics Development Corporation, two Tube-Well Corporations, covering Meerut-Agra zone and Lucknow-Bareilly zone, Small Industry Consultancy Corporation, Forest Development Corporation, Mineral Development Corporation, Land Reforms and Development Corporation and Centre-State Shahdara-Saharanpur Railway line Corporation.

The state government proposes to contribute an amount of Rs one crore towards the share capital of the two tubewell corporations. The Land Reforms and Development Corporation will also be assisted by the state to help in the improvement in agricultural production. A sum of Rs 56.26 crores will be spent on agricultural programmes as against Rs 48.89 crores spent last year. Additional irrigation potential of 470,00 hectares and 113,000 hectares is expected to be created through large and medium and small irrigation works. Various measures in this direction are expected to raise the state's agricultural production to million tonnes in 1974-75 and gradually carry it further to 26 million tonnes by 1978-79.

The corporation for small-scale industries is expected to provide consultancy services to entrepreneurs desiring to establish industries on modest scale. Brassware and leather, being two of the more important industries in the state, will also be provided with specialised attention for their development.

Export performance and outlook

R. C. Ummat

HOUGH THE 1972-73 improvement in balance of trade proved short-lived hat year's surplus of Rs 133.9 crores ed into a deficit of Rs 225 crores in 3-74, it is, indeed, encouraging to note our exports last year continued to ster an impressive uptrend. Our ex- earnings in 1971-72 aggregated to 608.2 crores. They went up by 22 cent to Rs 1960.9 crores in 1972-73. year we exported goods worth as much Rs 2411.3 crores—an increase of 23 per over the 1972-73 level. With imports 971-72 totalling to Rs 1824.5 crores, had a deficit of Rs 216.3 crores on e account in that year. In 1972-73, imports went up only marginally to 1827 crores. The impressive rise in ort in that year, thus, resulted in a lus of Rs 133.9 crores. Last year, though exports showed a further ked increase, imports rose at a much r rate—by 44.3 per cent from Rs 7 crores to Rs 2636.3 crores. (see le I).

erse balance

The balance of trade, thus, again ed against us. The faster rise in orts last year was caused by the in crude oil prices by the west Asian ons, the near-trebling of the prices of lizers, the spurt in the prices of non- ous metals and the sizeable imports of grains which had to be effected at uly high prices thanks to massive pur- es in the international markets by the et Union and the People's Republic hina. We had to import much larger ntities of foodgrains last year because serious setback to domestic produc- ..

The global inflationary tendencies, no bt, cast a great burden on us inas- h as the cost of imports of oil, fertili- , non-ferrous metals, foodgrains and umber of other items went up marked- but they also helped at least to some nt in boosting our exports of such ds as cotton textiles, handloom and silk fabrics, groundnuts, fish, spices, ar and iron ore. We were able to sell larger quantities of all these items at significantly higher prices than in the previous year. The world inflation was as well helpful to us in securing better prices for our chrome tanned leather, castor oil, cashew kernels, raw wool, tobacco and finished leather. But quantity-wise the exports of these commodities showed a decline.

Many other exports from here, however, suffered a setback in the unit value. These included such important products as tea, jute goods, E.I. tanned hides and skins, mica, manganese ore, ferro-manganese, footwear, cotton yarn and cement. Our total export earnings from jute goods and mica last year, in fact, were lower even though we sent out larger quantities of these products than in the previous year. The exports of tea, E.I. tanned hides and skins, manganese ore, ferro-manganese, footwear, etc., however, suffered both on account of lower unit value and fall in the quantities exported. The setback to the unit value of jute goods exports was presumably caused by the scaling down or removal of export duties in August last year. There is said to have been some improvement in the unit value of these goods after October last, but the full advantage of this could not be taken owing to supply constraints resulting from shortfall in production as a sequel to power shortage and strike. The unit value of tea too is reported to have looked up towards the close of last year, but this trend has yet to establish itself fully.

The global inflationary tendencies, thus, have not been an unqualified blessing for our exports. In fact, the developing countries such as ours have to think how they can mitigate the rigours of world inflation through seeking better unit values for their primary as well as secondary products. The recent efforts at coming to an understanding with Bangladesh in respect of exports of jute goods, with Sri Lanka, Kenya and other tea producers in regard to exports of tea and with the major iron ore producers, including Brazil and Australia, concerning the exports of that product, for avoiding cut-throat competition are, therefore, welcome. It is, however, regrettable that not much progress has been made as yet in regard to the raising of the unit values of the products of the developing nations in general under the aegis of the UNCTAD.

The data about the direction of our exports in 1973-74 (see Table II) show that a significant improvement has taken place in exports to the enlarged European Common Market, the ECAFE region and the Gulf countries. During April-December, 1973, our exports to the enlarged ECM increased by 35.7 per cent, to the ECAFE region by 36.4 per cent and to the

TABLE I

India's Imports, Exports and Balance of Trade

(Rs crores)

Year	Imports (c.i.f)	Exports (f.o.b.)	Balance of trade
1968-69	1908.6	1357.9	—550.7
1969-70	1582.7	1413.3	—169.4
1970-71	1634.2	1535.2	— 99.0
1971-72	1824.5	1608.2	—216.3
1972-73	1827.0 (R)	1960.9	+133.9
1973-74 (Provisional)	2636.3*	2411.3	—225.0

(R) Revised *Provisional and subject to revision

the perquisite will be increased by a further sum of Rs 150 per month. The value of the perquisite will be computed on the above lines even in cases where no specific car is placed at the disposal of the employee but he is allowed the use of one or more motor cars out of a pool of motor cars maintained by the employer.

In this context a reference may be made to the Circular No 130 dated March 16, 1974 issued by the Central Board of Direct Taxes. The circular clarifies that the use of a motor car by an employee for the purposes of going from his residence to the place where the duties of employment are to be performed or from such place back to his residence, will be regarded as use of the motor car for private or personal purposes and not in the performance of his duties. Consequently, in such cases the value of the perquisite, calculated in accordance with the manner already explained, will be included in his salary income.

Opinions may differ as to how far the above changes in the rules place the valuation of perquisites of employers on a more realistic basis. In fact, there can be no doubt that the value of the above perquisites has gone up with the rise in rents and petrol prices. Similarly the inclusion of the value of the services of the chauffeur only removes an anomaly in the rules. The new rules may however effect adversely some people in the higher income groups.

complete exemption

Liberalisation of tax treatment of retirement benefits is sought to be done by providing for complete exemption in respect of retiring gratuties payable under the Payment of Gratuties Act, 1972. In the case of employees not covered by that act, the alternative ceiling limits on the exempted amount of gratuities are raised from Rs 24,000 to Rs 30,00 and from 15 months' salary to 20 months' salary. According to the new provisions, where gratuity is received by the employee from two or more employers in the same year, the maximum amount of gratuity exempt from income tax will not exceed Rs 30,000. In cases where an employee who has received gratuity in any earlier year from his former employer or employers, receives gratuity from another employer in a later-year, the ceiling limit of Rs 30,000 will be reduced by the amount of gratuity which has been exempted in any earlier year or years. It is being specifically provided that the term 'salary' for the purposes of this provision includes dearness allowance, if the terms of employment so provide but excludes all other allowances and perquisites.

The Finance Act has also inserted specific provision in the law, retrospectively from April 1, 1962, i.e. the date of commencement of the Income-tax Act, to secure that death-cum-retirement gratuties and payments in commutation of pension received by all categories of central government and state government employees will be completely exempt from income tax.

notable feature

Relaxation of the provisions relating to recognised provident funds to enable transfer of amounts from the account of an employee in one recognised provident fund to another is another notable feature of the changes introduced by the Finance Act. In fact this relaxation was long overdue and will go a long way in promoting mobility of employment in desired cases. Provisions have been introduced to ensure that in cases of such transfer neither the recognised provident fund nor the employees are taxed in respect of the amount transferred. In cases where the accumulated balance due and becoming payable to an employee includes any amount transferred from any other recognised provident fund maintained by his former employer, then in computing the period of continuous service of five years for the purposes of the relevant provisions, the service rendered by the employee with such former employer will also be taken into account.

The requirement of filing voluntary return of income is made optional in respect of certain salaried tax payers. It may be recalled that the Direct Taxes Enquiry Committee (Wanchoo Committee) recommended that persons having only income from salary and no other income, in whose case tax has been correctly deducted at source may be exempted from the liability to file returns under section 139(1) of the Income Tax Act if the gross salary does not exceed Rs 15,000. Two members of the committee however dissented from this recommendation. As salary cases constitute a sizeable percentage of the total number of small income cases, if such infructuous returns are altogether eliminated there would be a considerable reduction in unproductive paper work. The government has done well in accepting the recommendation, though with modifications. However the machinery should be vigilant to ensure that this concession is not misused.

According to the new provisions, it will not be necessary for a person to furnish a voluntary return of his income (or the income of any other person in respect of whose total income he is assessable), if his total income (or the total income of such other person) consists only of income chargeable under the head 'salaries' or of income chargeable under that head and also income of the nature of dividends or interest or the income from units in the Unit Trust of India referred to in clauses (i) to (ix) of sub-section (1) of section 80 L. If the income of the person concerned of the nature referred to in clauses (i) to (ix) of sub-section (1) of section 80 L exceeds Rs 3000 in the aggregate (which is the amount exempt from income tax under that section), the requirement of furnishing voluntary return will not be waived. Similarly, the requirement of filing the voluntary returns of income is not being waived in the case of directors of companies, persons holding substantial interest in companies and persons receiving salary exceeding Rs 18,000. This is because of the fact that the value of the benefits or amenities provided to such tax payers in kind has to be determined by the income tax officer and assessed to income tax. The waiver of this requirement will operate only if the tax deductible at source under section 192 of the Income Tax Act from the income chargeable under the head 'salaries' had been deducted.

filing of returns

It is to be noted that all these amendments relating to filing of returns, standard deduction, exemption limits of gratuties and exemption in respect of amounts transferred from a recognised provident fund maintained by a former employer to a recognised provident fund maintained by a new employer will take effect from April 1, 1975, and will accordingly apply to the assessment year 1975-76 and subsequent years. The provision permitting the transfer of amounts from the individual account of an employee in a recognised provident fund maintained by his former employer and the interest in respect thereof, to another recognised provident fund took effect from April 1, 1974. The new rules regarding valuation of perquisites came into force from April 2, 1974. All these changes will accordingly apply for the purposes of computing the salary income for deduction of tax at source during the financial year 1974-75.

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Is uranium coming into its own?

Jossleyn Hennessy

London

WINDOW ON THE WORLD

I

The Background

BEFORE THE arrival of the atomic bomb, i.e. up to the last phase of World War II, uranium was only a useless, by-product of radium production. After 1945 the cold war between the communist and the free world, and the accompanying armaments race, led the USA and the UK to stock large quantities of uranium for military purposes. Their combined demand led to the development of an appreciable uranium industry which flourished until 1959, in which year 33,000 tons of uranium were mined, with a turnover of about $100,000,000 at an average price of $16 per lb.

But in 1959, a year in which petroleum products fell to particularly low prices, the USA did not renew their contracts for the stockpiling of uranium. Since the USA alone represented more than half of the world demand, the production of uranium fell to scarcely 15,000 tons by 1966 with a price between $4 and $5 per lb. This led nearly fifty uranium production plants to close and the remainder to work at about 70 per cent of capacity. In 1965, the construction of nuclear plants began and this opened new outlets for uranium, but the demand was insufficient in relation to the supply available to boost the market and by the end of 1972 the price levelled off at about $6 per lb. This discouraged mineral exploration and uranium stocks reached very high levels. Add to this, the fact that stockpiling contracts are normally signed for several years and you have the reasons for the present depression in the uranium market. The recent world petroleum crisis and the consequent need to diversify sources of energy have, however, brought uranium back into focus as a primary source of energy. The market is therefore on the brink of substantial recovery.

II

A Technical Survey

In view of the rise in the price of petroleum, nuclear energy has become a competitive source of energy. At the end of 1972 there were in the western world 94 nuclear production plants with a capacity of 31,291 magawatts.

The advantage of nuclear plants over other means of energy production is that they have a much longer life, that they cause less pollution and production costs are less. At the same time their maintenance costs are far greater, e.g. to produce one kilowatt of electricity an investment of $160 is necessary if oil is used, of $200 if coal is used and $270 if nuclear energy is used. The cost of the fuel in fact represents only a minimal fraction of the cost of production of a nuclear plant, whose costs are essentially made up by the capital investment, by contrast with other energy sources in which the fuel can be as much as 50 per cent of the cost price.

The technical difficulties of producing nuclear energy have been overcome only for certain types of installation, e.g. in heavy water reactors, whereas in other techniques, such as super-generators, certain practical difficulties remain to be solved.

It is relevant to note that nuclear energy results from the transformation of the nucleus of an atom which, by the ensuing loss of mass, releases enormous quantities of energy. This energy is obtained either by the fission of a heavy nucleus (made up of neutrons and protons) notably from uranium—a process which has both industrial and military uses; or by the fusion of light nuclei extracted from sea water, a method which hitherto has been used only for hydrogen bombs. Light nuclei of deutrium (which is abundant in sea water) are fused in a heavier nucleus (e.g. helium). This technique is unlikely to be fully developed for industrial purposes for another twenty-five years. The foregoing operations are carried out in reactors.

enrichment of uranium

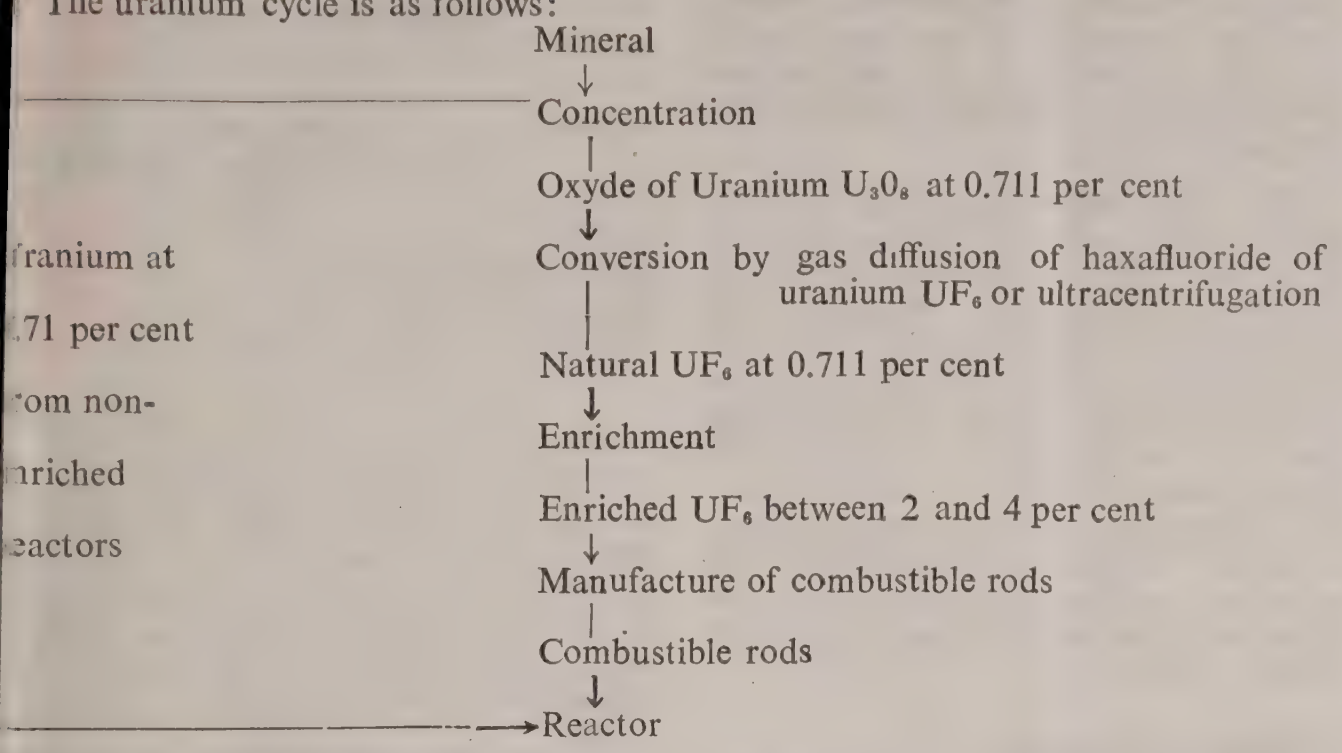
In this article I am looking only at uranium as a source of nuclear energy. In its natural state uranium consists of 99.28 per cent of non-fissile U238 and of 0.71 per cent of fissile U235. Only the latter is used as a nuclear fuel and must for that reason be partially decomposed from the heavier U238. This is affected either by the American procedure of selective diffusion by gas, an elaborate method of filtration, or by ultra-centrifugation. This operation is called "enrichment", the enriched uranium is thus a mineral from which has been extracted a proportion of U238 to increase the proportion of U235—it is the total separation of these elements which leads to the atomic explosion. The fissile isotope U235 lets loose a neutron and small quantities of heat which result in the natural loss of radioactivity. This particle passes through a modifying medium such as graphite or water, which slows down its speed.

If the neutron encounters a nucleus of U238, it creates an unstable atom of U239, which rapidly decomposes in plutonium. In the course of this decomposition, heat is released by the fission of the

om and by the liberation of other neu-
ons.

ie Uranium Cycle

The uranium cycle is as follows:



ranium at
.71 per cent
om non-
nriched
eactors

The concentration cited above separa-
es the uranium mineral from the vein in
which it is found, and by doing so pro-
luces U_3O_8 at 84 to 87 per cent. The
oxyde of uranium contains only 0.711 per
ent of the fissile isotope U235, which
nust be enriched by two to four per cent
n order to be used.

the reactor

A reactor is a furnace in which the fusion of the nuclear fuel is induced. Broadly speaking it may be said that to produce the chain reaction—which once let loose must be controlled—the neutron must be slowed down. This operation makes the nuclei explode with a release of heat, which must be controlled and regulated. To achieve this it is necessary to circulate a cooling liquid (such as water, heavy water, liquid sodium, bioxyde of carbon, or helium) which serves at the same time as a means of transferring the heat between the source and the heat changer which transforms the water into vapour. This then follows the traditional cycle taken to obtain electricity: the transformation of thermic energy into mechanical energy and so electricity.

There are three basic models of reactors:

(1) Reactors using natural uranium: this method is the simplest as much from the metallurgical point of view as the chemical and in the equipment needed for the preparation and use of the fuel, but while the method is simple and the fuel is cheaper than enriched uranium, the power released is small and the use of the fuel limited; this necessitates further equipment for more complicated treatment and is therefore extremely expensive in the end.

(2) Reactors using enriched uranium: these are smaller than (1) and the initial investment required is much less. On the other hand, production costs are higher. They have, up to the present, remained competitive because of today's high rates of interest, the cheapness of uranium and the fact that the difference in cost between enriched uranium and natural uranium is negligible. Most reactors now under construction are of this type.

(3) The super generators which use up to 70 per cent of the energy potential of uranium instead of the 2 to 3 per cent used by (1) and (2). Further, they produce nuclear fuel from non-fissile materials in quantities sufficient not only to replenish themselves but even additionally to supply other reactors.

III

The Uranium Market

Uranium reserves are classified as (a) "reasonably assured" and (b) "reasonably estimated", which means that the existence of uranium is presumed to exist in the prolongations of known strata and (c) as a function of the costs at which they can be economically exploited. From the date of the discovery of a stratum of uranium it takes about eight years to achieve exploitation.

Today's reasonably assured reserves are about 866,000 short tons at a cost of less than $10 per lb. and they rise by a further 680,000 short tons if it becomes economic to pay $10 to $15 per lb. Estimated reserves attain 916,000 short tons below $10 per lb. and another 632,000 tons between $10 and $15. Broadly 30 per cent of these reserves are found in the USA, and 20 per cent each in South Africa, Canada and Australia. Except for Australia, all recent reserve have been found on sites already under exploitation. Exploration for uranium is negligible in all these countries, because current prices are insufficient, despite the strong rise in demand from nuclear plants, to justify the costs of mining new sites to discover uranium beds.

If this trend were to persist the extraction of minerals is, on the basis of present estimates, likely to encounter grave difficulties in 1980s, a decade in which a rapid and substantial increase in the demand for uranium is forecast. From now on it seems indispensible to push for further exploration, because if the estimated needs are to be supplied it is essential to find between 150,000 and 200,000 short tons of uranium annually. It must not be overlooked that prospecting is difficult below a certain depth because uranium ceases to be detectable by geiger counters.

super generators

All these facts relate to reactors which use only 2 to 3 per cent of uranium's energy power, but the situation would be transformed if super generators were perfected, because these use 70 per cent of uranium's power energy, in which case it would be necessary to multiply the reserves of uraninm between twenty and thirty-five times.

It is relevant to note that 50 per cent of the cost of current research is spent by the big petroleum consertiums in order to ensure diversification of their sources of energy.

The reserve situation is not the only supply problem that remains to be solved, because in addition it is necessary to get underway ahead of time the capacities for the necessary enrichment. At the present time only the USA and the Soviet Union are able to meet their demand for enriched uranium, While it is true that both these countries are at present working at only 40 per cent of their capacity, according to present forecasts their capacity will be fully utilised by 1978.

Note, however, that Eurodif (the company in which France, Italy, Sweden, Spain, and Belgium participate) is to build in France—190 miles south of Lyons near the military enriching plant of Pierrelatte—a uranium plant for producing by the diffused gas process enriched uranium for industrial purposes. With a capacity of 9,000,000 fission units, (com-

the amount to which it will be entitled under a formula being worked out by the Bank's officials. The loan will be a relief to the many oil-buying states with balance of payments problems — in other words, with more debts than available money — but the borrowers will be expected to cooperate with the fund to find appropriate solutions for their balance of payments problems. These two restrictions will prevent an over-eager rush to the new source of ready money; the IMF is acutely aware that caution is necessary in releasing cash into money markets overfilled with cash on short-term conditions but with major constituents lacking sufficient ready money to meet their bills.

no agreement

Neither the loan facility nor the decision to allow sales of gold reserves at the market price necessarily mean that unlimited funds at the relatively easy rate of seven per cent are becoming available or that monetary gold is about to be reinstated as a central part of the mechanism of the international monetary system. There is neither any sign of agreement on this latter question nor a significant easing of international anxieties about money. The immediate situation is less acute, the prospect is financially less grim but, while the central banks are now free to sell reasonable amounts of gold at the market price opposition from the USA to the idea that they should be allowed to buy gold and thus potentially increase the amount of it within the monetary system has been in no way relaxed. The concept regarded most widely as relatively safe is that the IMF should sell gold on the free market when it has bought it from central banks needing to sell but there is as yet little support for the idea that the IMF should be allowed to buy gold other than that offered as a matter of urgency by central banks and none at all that it should buy on behalf of any of its members.

These reservations in operating the new rescue schemes are further evidence of international awareness of the need to move very cautiously. This caution is impelled by the painful discovery that the major oil-consuming states are piling up huge deficits even faster than their experts had expected. The explosion in oil prices last year has changed the monetary world radically and for good. The higher oil priees — with the prospect that they will go still higher is a powerful monkey wrench in the world's economy. What is feared, a fear so awesome that few can bring themselves to speak of it openly, is another world economic slump. Although the rescue schemes are a relief there is concern that states, unwilling to be unpopularly drastic, will act too late to stop the drain of wealth and jobs caused by the higher oil payments.

In West Germany, France and Italy unemployment is mounting steadily, more major concerns are putting men on short time if not actually laying them off. The strain of paying unemployment relief on west Europe's leading states is growing parallel with a steady sinking in the worth of the money they pay out. At the back of the fear of slump is the acute, almost desperate fact of infllation. While the heavy payments for oil help to depress the currencies, this depression in money's worth dissuades recipients of the money — the oil-producer governments — from investing their funds for more than the shortest term in the western markets. Short-term is often really short—seven days is a long time in many Arab investments, the money moves in and out nervously almost at a daily rate. In this way, the oil-producer investors help in a big way to cause the very inflation and fall in monies' values of which they complain and cite as a reason for raising oil prices further. Unless oil buying governments adopt suitable deflationary politics reasonably soon even capital formation itself could fall.

competitive deflation

Unfortunately at present exactly the opposite is happening. Those governments with the biggest deficits are deflating in efforts to improve their foreign trade. As the OECD in Paris has pointed out, the danger now is one of competitive deflation as countries scramble to maintain their share in increasingly small export markets. In the USA and West Germany—the two biggest markets for world exports—high interest rates have already slowed consumption; refusal of Italy's trade unions and workers to accept a stringent fiscal package to help set the country's economy more in order brought down the government for a time and showed how unwilling large sections of Europe's populations will be to contribute to meet the dangers caused by higher oil prices piled on top of already inflationary economies. The effect on projected assistance schemes for developing countries is catastrophic. Not only harried Italy but West Germany, the big surplus country in West Europe, refused recently to commit themselves to any aid figure or to consider supplemetary budgets for overseas aid when the development aid ministers of the Common Market met in Luxemburg to consider an outline of projected assistance to the Community's 20 overseas associates and about 24 others mostly in the Caribean and Pacific areas.

sinking values

The oil-price crisis is generally accepte as the chief cause of the sinking values monies, but this overlooks the fact th inflation was already well established be fore the oil prices went up. Oil price have accelerated the inflation, not cause it. Various authorities cite differing rea sons for this economic disease — th world Bank blames low interest rates fo small savings. There is certainly a nee to restore in West Europe a confidence among the small savers in money saving The small saver who keep his savings in the bank has been the backbone of banking for a century. But savers have seen their money cut by half in little more than a genreation and government savings schemes have been officially derided as "piggy banks". The fact of inflation, with prospect of more to come, haunts west Europe's governments and populations. The question is how long it will last. The average man, no matter what is politics, is essentially a conserver — all he needs is the confidence that his efforts at conservation will not be disappointed by loss. Two years more inflation could be tolerated, five more years would be strain. But five years is the shortest time in which recovery appears possible and even that period will need to be one of economic policy restraints and will almost inevitably be one of increasing unemployment. It will be a long, hard haul and will need much self-decipline by governments, people and even by oil-producing investors who are already being taught by some leading banks, who are refusing to take their very short term investments, that money must be allowed to stand still sometimes if confidence in it is not to be lost altogether.

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ehru's non-alignment

gan as Panchsheel at Bandung, but dimi-hed later to the Belgrade-Cairo-New lhi triangle. This conversion was easy, ough because three into five can com-tably go although five into three won't. hru is dead and so is Nasser, but sident Tito, happily, is still with us. n-alignment, however, is not merely o-thirds gone but is completely dead l buried; buried, let me add, under the ramids. Credit for this performance doubt has to be widely distributed. e star turn, of course, has been Mr ssinger's but President Sadat has rthily shared the billing. Moscow, viously, had been doing its bit all ng.

The Nehru-Nasser non-alignment was ilt on the sands of Sahara, with sident Tito lending a bit of Yugosla-'s scenic back-cloth. India, plagued political and occasionally military oblems with China and Pakistan and ypt, caught both in the storm of the ab-Israeli conflict and the cross-currents Gulf politics, were at no time credible actitioners or even professors of non-gnment. Dulles once called the Indian nce immoral, but then Dulles was as nd as an owl and more batty than any bat d business to be. The issue in the Nehru and of non-alignment was certainly not e of ethics; it was the problem clearly authenticity. The question was whether e Nehru-Nasser doctrine or policy of n-alignment was ever taken seriously i international politics in the practical rms of functioning diplomacy.

o long as there was the

ld war among the two super powers, it rved the Soviet Union to offer ritualistic rship at the altar of Nehruvian non-gnment just as it frequently amused the ore relaxed spirits in Washington to press annoyance at the self-glorification this false god. The Chinese military cursion into India in 1962 helped destroy a good deal of this make-ilieve. The next big exercise in demoli-on was Mrs Gandhi's conclusion of the endship treaty with Soviet Union at e time of the liberation struggle in ngladesh. The *coup de grace* was administered when President Sadat, at the end of the Yom Kippur war, realized that while his country might still mourn Nasser's death occasionally, the time had come for it to bury Nasserian non-alignment full five fathoms deep.

Thousands of school-

going children in Britain and even more who are not yet of school-going age are reported to be currently suffering from a nation-wide outbreak of infestation by head lice. This pernicious and extremely persistent parasite—according to a report in *The Guardian* (London)—has been found to have its preferences—young heads rather than old, and girls' rather than boys'. The plague has been building up over the past few years, since the British head louse has been steadily developing resistance to DDT-based insecticides. The number of cases reported went up by 50 per cent between 1968 and 1972—the date of the last published figures—and it is estimated that at least 1.5 million children in Britain are now in a condition which may be truthfully described as lousy. As is only to be expected, romance among Britain's youth is consequently going through an itchy phase. *The Guardian's* Education Correspondent has a sad story to tell of a London girl meeting her boy friend and bursting into tears. The story however has a more or less happy ending. "I understand" says the boy friend sympathetically, "I have got them too."

In the circumstances

the British head louse cannot be expected to have many friends in Britain. It is however not entirely friendless. There is, for instance, Mr John Maunder of the London School of Hygiene and Tropical Medicine who finds that creature "tricky," but "generally fascinating." This is not the only good word he has to say for the British head louse. According to him it is a cruel canard against both the pest and its hosts to allege any direct association between dirt and lousiness. Mr Maunder, who seems to be an extremely fair-minded person, has also ruled out categorically any connection between hippyness and lousiness. According to him, long hair does not encourage head lice. The louse feeds on the scalp, lays its eggs in the first half-inch or two-thirds of an inch of hair, and is just not interested in how long the hair is after that. Mr Maunder has thus some comfort to offer on certain counts, but not, I am afraid, to Mr Enoch Powell. Britain's foremost expert on the British head louse rejects the theory that coloured immigrants or visitors might have brought the plague. These lice, Mr Maunder says, appear to be thoroughly British—so British that their claws are adapted to holding on to the round cross-section of British-type hair but cannot get a proper grip on the oval cross-sectioned African or West Indian hair. British, in other words, is best, where the British head louse's choice of boarding and lodging (including breeding) is concerned.

Rajaji, were he alive

today, would perhaps not grudge the chief minister of Tamil Nadu a pat on the back. Mr Karunanidhi has many failings, some of which are grave indeed, but he certainly has robust common sense. His government's decision to lift restrictions on the movement of rice from the surplus district of Thanjavur to other parts of the state is very much in the Rajaji tradition. Tamil Nadu harvests rice twice a year. The main crop called the *samba*, is the *kharif* crop harvested in October. In addition, there is the short-term or *kuruvai* paddy which is harvested at about this time of the year.

It has always been more than a little absurd for the state government to mount elaborate procurement operations in relation to this crop the greater part of which is liable to be retained for consumption on the farm especially if the market price incentive is not strong enough. While this should be obvious enough to all concerned, the authorities, for reasons of their own, have only too frequently been inclined to interfere with the normal marketing of the *kuruvai* crop by farmers in the surplus district of Thanjavur. Mr Karunanidhi, fortunately, has realized this time that this interference is only helping to send up the price of rice all over Tamil Nadu in the lean season. He has therefore decreed that the farmers in Thanjavur should be free to sell their *kuruvai* surplus for consumption within the state subject only to the minimal administrative restrictions needed to ensure that there is no hoarding by middlemen or smuggling into neighbouring Kerala. Here is some more confirmation of the common sense thesis that, in this country, food policy is best administered through flexible responses to local situations.

V B

MOVING FINGER

TRADE WINDS

Central Loans

THE UNION government floated on June 28, 1974, three loans aggregating Rs 400 crores, with interest rates ranging from five to six per cent, in the first phase of public borrowing for 1974-75. The budget provides for gross borrowing of Rs 700 crores and net realisation, after repayment of the loan for Rs 201.64 crores maturing on July 16, is estimated at Rs 498.36 crores. The three new loans are: Five per cent loan 1979 to be issued at Rs 99.50 per cent and repayable at par on July 16, 1979; 5-1/2 per cent loan 1985 to be issued at Rs 99.75 per cent and repayable at par on July 16, 1985: and 6 per cent loan 1998 to be issued at Rs 99.50 per cent and repayable at par on July 16, 1998. Subscriptions to the three loan will be received from July 16 to 18, 1974 and the government will reserve the right to retain subscriptions up to 10 per cent in excess of the notified amount.

Holders of the 3¾ per cent loan 1974, which is repayable on July 16, 1974, may tender their securities for conversion into new loans being floated now. Thus, the first instalment of market borrowing is likely to yield Rs 210 crores (net). This would leave another Rs 288 crores to be raised by further borrowings during the course of the year. The yield on the new loans, it is pointed out, is as nearly as possible in line with current market rates after the upward adjustment of interest rates from April 1, 1974.

Subscriptions to the above loans will be received in the form of cash, cheque or securities of 3¾ per cent loan 1974. Subscriptions will be received from July 16 to 18, 1974 (both days inclusive) but the subscription lists may be closed earlier without notice as soon as the total subscription amounts to Rs 400 crores. If the total subscriptions received for the loans exceed the notified figure plus the amount of 10 per cent retainable as aforesaid, partial allotment will be made in respect of the subscriptions received and the balance refunded in cash as soon as possible. Interest at the rate of 3¾ per cent per annum on the securities of 3¾ per cent loan 1974 tendered for conversion will be paid up to and inclusive of July 15, 1974 at the time of issue of new securities. Interest on the loans will be paid half-yearly on January 16 and July 16. Interest on all the loans now issued together with interest on other previous government securities and income from other approved investments will be exempt from income tax, subject to a limit of Rs 3,000 per annum and subject to other provisions of Section 80-L of the Income-Tax Act, 1961. The value of the investments in the loans now issued, together with the value of other previous investments in government securities and the other investments will also be exempt from the Wealth Tax up to Rs 1,50,000. Holders of 3-3/4 per cent loan 1974, who do not desire to convert their securities, may tender them at the public debt offices treasuries or branches of the State Bank of India or its subsidiary banks, (at which they are enfaced or registered for payment of interest) on or after July 6, 1974.

Car Prices Increased

The government has announced substantial increases in car prices. The price of Ambassador has been raised by Rs 3,977: that of Premier President by Rs 3,630 and of Standard Gazel by Rs 3,898.

As a result of the increase, the ex-factory price of Ambassador will now be Rs 22,277 against Rs 18,300, that of Premier President Rs 21,610 against Rs 17,980 and of Standard Gazel, Rs 21,738 against Rs 17,840. The new prices include dealers' commission but do not include excise, sales tax and local taxes which vary from state to state.

The new prices take effect from July I and will remain in force till the end of this year when another six-monthly review of prices is due in accordance with a decision of the Supreme Court.

The price increases announced have been suggested by a panel of cost accountants of the Finance ministry which went round the factories of the car manufacturers for an on-the-spot check of their production costs. The increases recommended by the cost accountants are nearly the same as those demanded by car manufacturers but the new prices have not taken into account the increse in tyre prices announced earlier.

Trade Development Authority

A multi-pronged export strategy covering production, marketing, directional pattern and realisation of higher unit value is being evolved by the ministry of Commerce with a view to achieve a break-through in the country's exports. This was announced by Mr Y.T. Shah, Commerce Secretary and Chairman of the Trade Development Authority at the fourth annual general meeting of the TDA held recently.

Mr Shah observed that in the fourth year of its operation, TDA had not only consolidated its position but also expanded its activities and taken up new projects. The number of TDA's hand-piccked clients went up from 461 in 1972-73 to 551 during 1973-74. Close ties had been forged by TDA with the STC, the development commissioner, small scale industries and the defence ordnance factories for army software. By harnessing the spare capacities of the ordnance factories, for export, a new facet would be added to the country's export strategy, he said. TDA's feasibility report on the setting up of an export processing zone near Dum Dum, Calcutta, had been accepted by the ministry of Commerce. Unlike the export processing zone at Santa Cruz, the proposed zone at Dum Dum was envisaged as a multi-product zone. The following is an illustrative list of the products: Stainless steel cutlery; mechanical toys; scientific instruments; selected range of electronic components; consumer electronics; domestic electrial appliances; miniature decorative lamps; brass padlocks; plastic products; leisure time equipment; and readymade garments.

The Chairman pointed out that TDA's main distinction lay in the field of product adaptation and creation of production capacities for exports. TDA had brought about significant developments in several fields like the establishment of trial production of coaster brake hubs and three speed hubs for bicycles. He said that three clients of TDA would soon be making full scale commercial exploitation for the prototypes they had already developed. Once the manufacture of these hubs was fully established, it would be possible to capture a large portion of the American market for the SLR bicycles.

Through the efforts of TDA Mr H. Tigelaar, Secretary of Dutch Purchase Corporation of 16 bicycle wholesalers visited this country to assess the capacity and capability of some of the Indian manufacturers. He was of the impression that Indian model needs to be modified to a semi-sports model fitted with coaster brake hubs, white tyres and canvas gear case. He felt that Indian manufacturers could prepare the product and identified 16 bicycle components which

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ould find an immediate market n that country.

Mr. Shah disclosed that TDA's special efforts in deve- oping production of Christmas Decorative Bulbs for export to American market had at last been rewarded with success. A rial order had been placed by leading department store of USA on a client of TDA. Once his order was complied with, t should be possible for India o capture a sizeable part of his Christmas business, he added.

The chairman pointed out hat among the Commercial Development Programmes to be coordinated by TDA, the CDP with the Federal Republic of Germany had already started n respect of selected engineer- ng and chemical products. Several other west European countries like France, Belgium, Switzerland and Denmark had partially financed market surveys in their countries for various products as a prelude to or part of commercial development programmes. In a reference to capacity constraints, Mr Shah observed that the domestic pull was understandable but a dynamic and forward looking manufacturer would know that in the long run whatever might be the size of the hinterland, the foreign markets had to be given very special attention. He added that export growth itself could stimulate production for the home market and assured that TDA's efforts to create additional export-oriented industrial capacities with the cooperation of its clients would receive full encouragement from the government.

TDA has drawn up a comprehensive programme under UNDP scheme for product adaptation. The programme has been spread over a period of four years from 1973 to 976. The total cost involved s Rs 45.8 lakhs out of which he foreign exchange com- onent of Rs 34.5 lakhs will e borne by UNDP. The roducts to be covered are: lectronic equipment and omponents including chips nd LSIs; bicycle and bicycle components; sports goods; wooden furniture; scientific instruments; processed foods; miniature bulbs; sewing machines and components (zig-zag type); plastic goods; kyanite, sillimanite, chromite, granite and marble (under arrangement with MMTC)

Exports during Fifth Plan

The Indian Institute of Foreign Trade has recently completed a study regarding export targets during the fifth five-year Plan which includes projections of anticipated exports performance in respect of 127 product groups. The study had estimated that exports may rise to Rs 4,470 crores by 1978-79. An important aspect of the study is that projections have been indicated both in terms of anticipated value including unit value as also in terms of quantities.

The major conclusions of the study are : (i) The unit value effect dominated in 1973-74 over 1972-73 to the extent of 86.7 per cent of the growth of export earnings of Rs 285.50 crores (where quantities are relevant and meaningful), the share of the quantity-effect being only 15.2 per cent and the element of interaction, 1.9 per cent negative. The unit value effect in respect of other items such engineering goods, chemicals, basic chemicals and allied products, and plastic processed products, where quantities are either not available or meaningful, is expected to have been very much pronounced in 1973-74 over 1972-73, owing *inter alia* to price boom and oil crisis. (ii) The proposed targets envisage 64.6 per cent of the enhanced export earnings of Rs 1,193 crores (where quantities are relevant and meaningful) in 1978-79 over 1972-73 to be effected by quantitative increases and 26.2 per cent by higher unit values, the effect of interaction being 9.2 per cent. (iii) Engineering goods will command the first place by the end of the fifth Plan, exports rising to Rs 525 crores by 1978-79 from Rs 183 crores in 1973-74; Cotton Textiles (mill made) will occupy the secoud place with exports estimated at Rs 450 crores by 1978-79 as compared to Rs 237.82 crores (likely) in 1973-74; Jute Manufactures will take the third place with exports projected at Rs 354.50 crores in 1978-79 as against Rs 222.83 crores (likely) in 1973-74. The other major growth items include iron ore, leather & leather manufactures, gem & jewellery, oil cakes and fish & fish preparations. (iv) Exports of consultancy services are envisged to increase from Rs 0.90 crores (likely) in 1973-74 to Rs 26 crores by 1978-79 of which construction services would account for Rs 20 crores.

The recommendations of the study included (i) The need for assessment of quantities of prinicipal raw materials, both indigenous and imported, and ensuring availability thereof; estimation of additional capacity requirements and timely arrangements for creation/expansion thereof; continuity in export promotion policies including compensatory support throughout the Plan period. (ii) Item-wise targets should be fixed in respect of select manufacturing /exporting units/organisations based on past performance and/or future potential. The ministry of Commerce should suitably assist these export leader units with necessary production and marketing inputs towards fulfilment of or to exceed their individual targets. Small scale units should be encouraged to form themselves into export consortia for being recognised as export leaders. These export leaders should be registered with the ministry of Commerce. Procedures and conditions for eligibility to the status of export leaders, incentives for outstandiug performance and penalties for default should be laid down by the ministry of Commerce. (iii) The desirability of fixing half-yearly item-wise targets, which should be reviewed and revised from time to time. (iv) A detailed study to be undertaken to determine regionwise and countries-wise targets in respect of commodities/products and areas of consultancy services. (v) The potential of construction, engineering, railway, management and economic consultancy services in the developing countries is so great as to warrant special attention of the ministry of Commerce.

Indo-Afghan Cooperation

India and Afgnanistan decided to further expand economic cooperation between the two countries in the fields of agriculture, irrigation and power, industry, mining and planning. A press communique issued at the end of the third meeting of the Indo-Afghan Joint Commission in New Delhi recently stated that India would send more experts to Afghanistan on long-term and short-term basis to train Afghans in various fields of economic activity and education. Besides providing "expanded and continued assistance" to existing projects

NOTICE

JAY SHREE TEA & INDUSTRIES LIMITED

Notice to the Shareholders

NOTICE is hereby given that the 28th Annual General Meeting of the Shareholders of the Company will be held on Friday, the 23rd August, 1974 at 3 P.M. at Birla Building, 9/1, R.N. Mukherjee Road, Calcutta-700001 and its agenda has been/will be circulated to all members of the Company in time along with the relevant explanatory statement thereon.

The Equity Share Transfer Registers (Registers of Members) will remain closed from 1.8.1974 to 23.8.1974 (both days inclusive) for the purpose of payment of dividends.

By Order of the Board,
for JAY SHREE TEA & INDUSTRIES LIMITED

B.C. BIYANI
PRESIDENT.

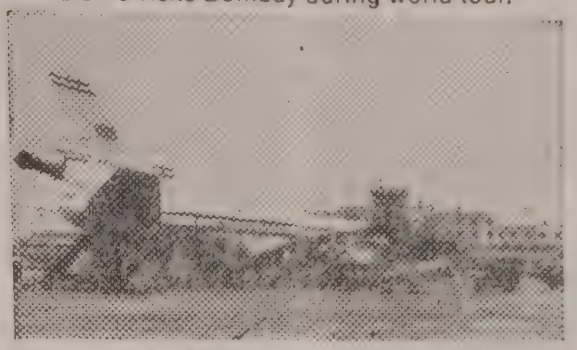
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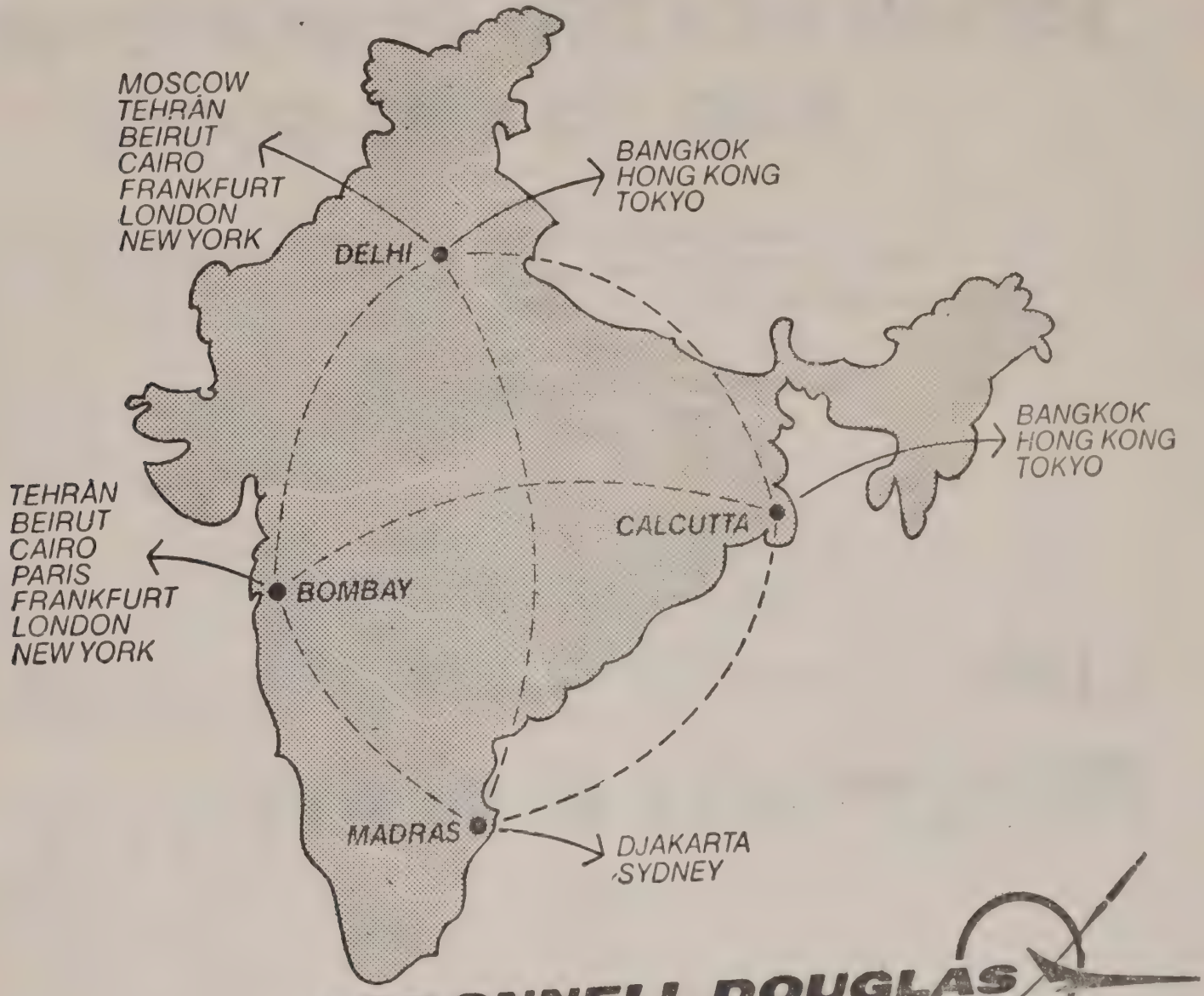


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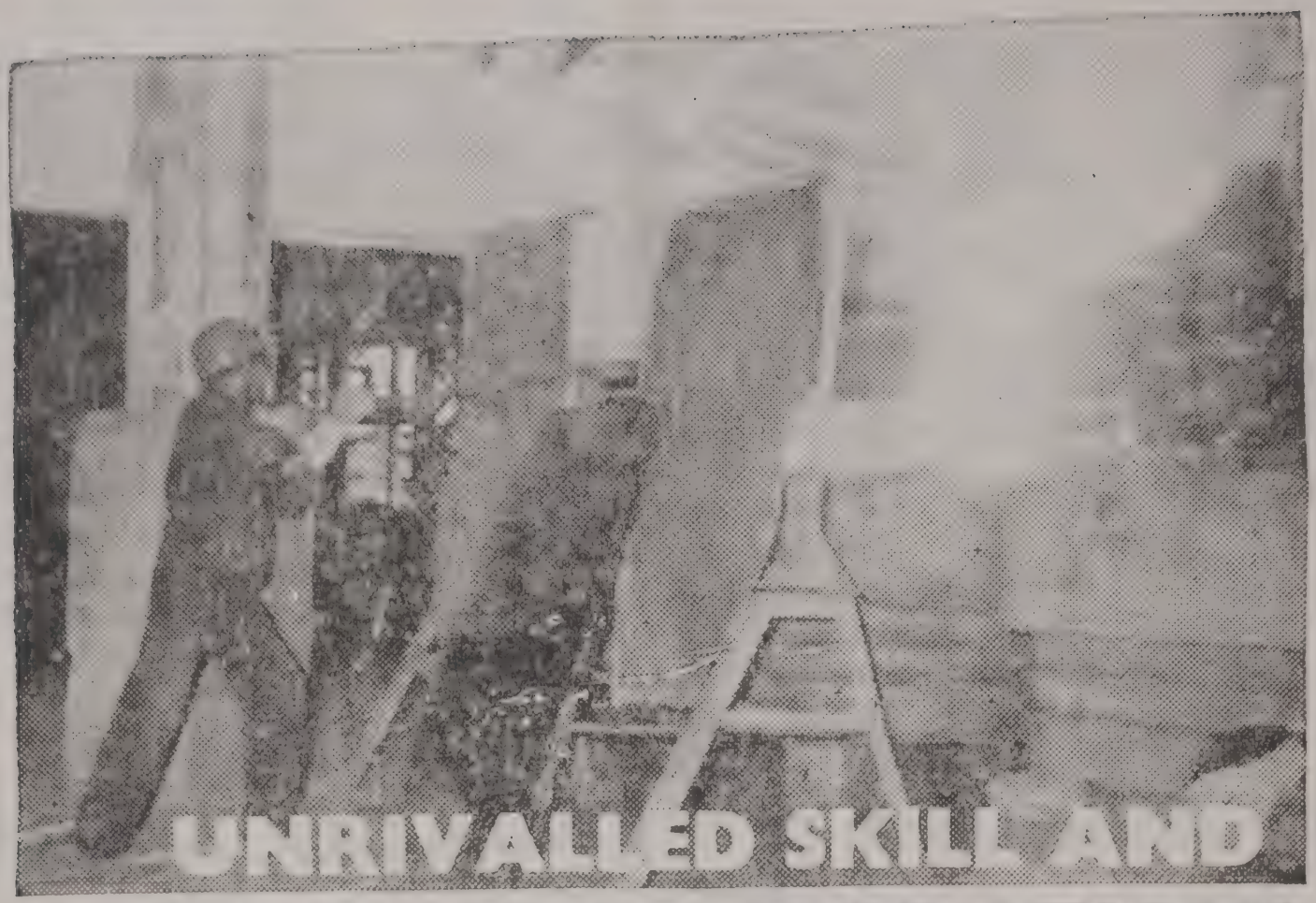
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and schemes in Afghanistan, India would also help establish in that country an agricultural research institute and a dairy farm, consultancy and supervisory services for the Hari Rud power project, make a feasibility study of the Khawaja Ali Dam and develop the Child Health Institute in Kabul. Both sides "re-emphasised their identity of approach towards international economic issues, especialy on measures for increasing cooperation between non-aligned developing countries and the rapid economic advancement of the developing world" India will provide Afghanistan with continued assistance in setting up industrial estates and various micro-hydel projects. The Commission decided to meet next in Kabul at mutually convenient dates.

SAIL International

A new public sector company, SAIL International, has been formed to effectively channelise import and export of steel. The formation of the company under the Steel Authority of India (SAIL) is also part of the plan to split Hindustan Steel Ltd., into different viable units. Last year, the central design and engineering bureau of HSL was reorganised as an autonomous unit called MECON. The various integrated steel plants under HSL—Bhilai, Durgapur and Rourkela—are also to be reconstituted as three separate companies. With the formation of SAIL International, this function of HSL will be performed by an autonomous company. This year, import of steel is proposed to be stepped up to 1.1 million tonnes, against 74 lakh tonnes last year. Export of steel is also expected to be higher this year with the projected increase in indigenous production.

Sectoral Deployment of Bank Credit

Gross bank credit (inclusive of bills rediscounted) excluding food credit and advances to public sector undertakings increased by Rs 860 crores (+15.3 per cent) during the 1973-74 busy season, against Rs 824 crores (+18.0 per cent) in the 1972-73 busy season. The increase was accounted for mainly by export credit and advances to priority sectors, the former rising by Rs 214 crores (+Rs 114 crores in 1972-73) and the latter by Rs 219 crores (+Rs 122 crores in 1972-73). The increase in advances to the residual sector (mainly medium and large industries and wholesale trade in the private sector) was of the order of Rs 427 crores, including Rs 244 crores by way of bills rediscounted. The increase in the 1972-73 busy season was Rs 588 crores, the share of bills rediscounted being Rs 19 crores.

ECGC on Berne Union

Mr P.B. Satagopan, General Manager and Mr A. Govindan, Manager of the Export Credit & Guarantee Corporation attended the Berne Union meeting held in Florence, Italy from June 11 to 16. The Berne Union is an international union of export credit and overseas investment insurers from 24 countries. For the first time since the ECGC joined the union in 1957, it has been elected to the managing committee of the Berne Union.

The expertise ECGC gained in promoting exports of a developing economy, has received international recognition. ECGC is closely associated with a seminar on export financing and export credit insurance organised by the UNCTAD and the International Trade Centre, for participants from sixteen developing countries. Besides its general manager serving on the faculty of this course, the ECGC is also providing a week's training at Bombay from the July 15, for most of the participants as a concluding review session.

Committee to Assess DDA

The union government has appointed a six member Committee of Experts under the Chairmanship of Mr R. Gopalaswamy, Joint Secretary, ministry of Works and Housing, to find out how far the Delhi Development Authority (DDA) has achieved its objectives. The other members of the Committee are: Mr V. Ramakrishnan, Administrative Staff College of India: Mr Dev Raj, Institute of Public Administration; Mr J. M. Benjamin, Chief Architect, CPWD; Mr Prem Nath, Financial Adviser, ministry of Finance; and Mr L. C. Gupta, Director (Urban Development), ministry of Works & Housing.

The terms of reference of the Committee are to make an overall assessment of the work of DDA and to suggest further measures for the development of Delhi. In particular the Committee will assess the extent to which the DDA has been able to promote the development of Delhi according to the Master Plan and zonal plans; the working of the DDA's Housing Programme and the methods of financing the same; the policy for the fixation of price and disposal of build up accomodation like houses/flats, shops, shopping centres, multi-storeyed commercial buildings etc; and whether the overheads representing salaries and other allowances of the staff employed on different schemes are reasonable. The Committee in addition, will review the policy for the fixation of price and disposal of land for residential, commercial, industrial and other purposes.

Standby Credit for Nepal

India and Nepal signed an agreement on July 21, extending the standby credit facility for Nepal for an amount of rupees five crores. The extended facility is effective from February 23, 1974 for a period of six months. The agreement was signed by Mr. M. G. Kaul, Secretary, Department of Economic Affairs, ministry of Finance on behalf of the union government and Mr K. B. Malla, the Nepalese Ambassador, on behalf of the government of Nepal.

Electronic Timers

A highly reliable, accurate and designed durable electronic timer has been manufactured by Larsen & Toubro Limited (L&T). These electronic timers are suitable for regulating time delays in all automatic processes which involve pre-determined sequence of operations. The manufacture of these timers is fully backed by the vast research and development facilities of L&T. These timers have been fully tested for reliability, precision and long life under Indian conditions. L&T's electronic timers are suitable for switching circuits requiring operating delays of up to 120 seconds. The timers have two change-over contacts which switch after the set delay. The time delay is continuously adjustable by means of a graduated dial scale and an easily adjustable knob. Being enclosed in a moulded housing, L&T's timer is not only protected against environmental conditions but also eliminates the need for maintenance. The timer has a mechanical life of over ten million switchings.

Meenachil Rubber Cooperative

Meenachil Taluk Rubber Growers Marketing Cooperative Society, which came into existence on March, 22, 1960, with just 28 members and a share capital of Rs 640 has now flourished into an institution with a membership of more than 5,500 and paid up shars capital of Rs 3.54 lakhs. It has gradually increased its operations so that in 1972-73 it marketed 139 million kg of rubber valued at Rs 69.44 lakhs. The Cooperative installed a crepe mill at a cost of about rupees two lakhs which was commissioned in 1970. This society is distributing all types of fertilisers required for rubber and other crops. Besides, it supplies insecticides and pesticides to its members.

The Meenachil Society has formulated a scheme in consultation with the Rubber Board and the Rubber Research Institute of India to set up a processing unit for the production of centrifugal latex. The total estimated cost of the project is Rs 29.74 lakhs.

SOUTH INDIA VISCOSE LIMITED

COIMBATORE.

Speech of the Chairman,

Sri R. Venkataswamy Naidu, delivered at the 16th Annual General Meeting of the Shareholders held on Friday the 28th June 1974 at 3-00 p. m. at the Registered Office of the Company, 'Shanmuga Manram' Race Course, Coimbatore -641018.

Ladies & Gentlemen,

It is with great pleasure that I extend to you all a hearty welcome to the 16th Annual General Meeting of the Company. The report of the Directors, audited Balance Sheet and Profit and Loss Account for the year 1973 have been in your hands for some time and with your permission I shall take them as read.

In the passing away of Shri T.T. Krishnamachari the country has lost a genius of dynamism and drive who sowed the seeds for accelerating the pace of industrial development in the country. Company-wise, we have lost a great friend, who not only gave us all the initiative and encouragement to embark on this project in 1957/58, but also continued to evince great interest in our further developments. In the death of Mr E. Guglielmino and Dr A. Brunetti of Snia Viscosa, your company has lost two friends, who were always having the interests of your Company at heart and were giving all the help needed at the other end.

The year has been characterised by the unbridled play of inflationary forces, shortage of power, coal oil, raw materials and steel, precipitous decline in industrial growth, ever increasing unemployment and world energy crisis.

The economic situation not only in India but also all over the world seems to be fouled up beyond what the gloomiest forebodings had envisaged. Currencies fluctuate erratically. Commodity prices increase by leaps and bounds and expert economists are confounded by seemingly insoluble crisis. At



Sri R. Venkataswamy Naidu

the present time our economy is in such a phase that unless a considerable degree of buoyancy is imparted to the processes of production, it will be difficult to contain inflationary pressures to make a visible impact on rising price trend, unemployment and poverty.

Budget for 1974—75.

It is heartening to note some of the proposals in the Budget for the year 1974-75. The Finance Minister has done the right thing despite the present difficult economic situation to raise the exemption from income-tax limit to Rs 6,000/- from Rs 5,000/- and the maximum rate of 97.5% for income slab over Rs 70,000/- per annum has been brought down to 77%. This is a welcome departure from the established practice of increasing tax rates year by year and would have a salutary effect on tax compliance, savings, investment and industrial growth.

It is also heartening to note the emphasis laid down by the Finance Minister on the necessity for controlling inflation and combating stagnation in industrial production. Accelerated economic development is the key to most of the current problems like rise in prices, unemployment and poverty. To ensure that the existing production capacity is utilised fully and new investment takes place in accordance with the Plan provisions, it is of the greatest importance that the roadblocks in the way of growth are expeditiously removed. It is a matter for satisfaction that the Budget provides for increased outlays on key sectors, like power, railways, coal development, steel, fertilisers, non-ferrous metals etc. These outlays will have to be so deployed that they yield results within the shortest possible time, for which a gearing up of the administrative machinery and a re-orientation of management polices are necessary.

Review of the working of the Company :

Coming to the affairs of the Company, I would like to touch the salient points only, as you would have already gone through the report of the Board of Directors.

In the year under review there was an unprecedented, drastic and prolonged power-cut extending over a period of ten months with a cut going up as high as 75%. Further, there was no water in the Bhavani river for a short spell even for the processess. On account of these adverse conditions the entire factory had to suspend operation for about 3 weeks in May 1973 and the Staple Fibre plant for a period of 5 months from February to June 1973. By reason, however, of our partial dependance on ourself generated power, we were able to soften the blow of the power-cut. For the expansion programme we are also requesting the Government of India to permit us to import special boiler to utilise effluent as fuel and generate additional power so as to meet the power cut which has become an annual feature.

It is gratifying to note that in spite of all these difficulties the performance of the Company has been satisfactory and the Company was able to maintain profits, keep up production etc., to a reasonably satisfactory level. The production of Rayon yarn was 2,388 tons in the year under review as against 3,113 tons in 1972 (ii) Staple Fibre 2,438 tons in 1973 as against 3,204 tons in 1972 and (iii) Pulp 24,124 tons in 1973 as against 24,092 tons in 1972 and the total turn over was Rs 1,111 Lakhs in 1973 as against 1,213 Lakhs in 1972. Further I am glad to inform you that we continue to produce the best quality of rayon in the country.

Shortage of Raw Materials and Spare Parts :

The conditions are certainly bright from the point of view of the market. But considerable difficulty is being experienced in obtaining essential raw materials viz. Caustic Soda, Chlorine, and Furnace Oil, which are in short supply. Recent experience confirms the apprehension of the producers that shortages of power and transport cannot be got over in the immediate future. With reference to furnace oil, the Association of Man-made Fibre Industry has appealed to the Government to include the Industry (Rayon yarn and Staple fibre) in the list of essential industries for which the cut in the supply of furnace oil will not be applicable.

Essential import of spare parts under Italian Credit involves cumbersome procedures resulting in delay of imports of vital parts. We hope that Government will relax this policy and allot the

free foreign exchange to maintain high production.

Supply of Pulpwood :

I would appeal to the Tamil Nadu Government to give your Company the same unstinted co-operation as they have given hithertofore in securing utilisation of available forest and plantation resources for maintaining the production of pulp at a satisfactory level. Your company is presently poised for an expansion of its capacity by a further 60 tons of pulp per day which means that the draft on the state forest resources will increase substantially. At preaent, by an Agreement, the Tamil Nadu Government are to allot us 1,200 acres of Bluegum, 3,700 acres of wattle and 500 to 1000 acres of Eucalyptus Grandis from Government reserve forests per year, which will be far too inadequate to meet our demands in future. To supplement the supplies of pulpwood even now, trial tests on other species of wood are also in progress in consultation with our Collaborators to meet our needs for increased supplies of wood in future.

We are at present paying lease amount for wood much higher than that was agreed to the Government originally. Having regard to the larger quantities of pulp-wood we shall have to use in future, we expect that the Government will deal considerately with our request for reduction in the lease rate and allotment of more areas of pulpwood from the Government forests to meet our increasing demands.

Expansion :

I am glad to state that (1) the staple Fibre Expansion project of 20 tons per day capacity has been completed as per schedule at a cost of about Rs 7 Crores and commenced trial run in the first week of December 1973, reaching its full rated out-put of 20 tons per day within the month itself. (2) For the establishment of the Polynosic Staple Fibre Plant in our Factory campus at an estimated cost of Rs 10 Crores, we have already entered into agreement with our Collaborators M/s. Italviscosa Eastern Trading S.p.A., Milano, Italy for the supply of plant and machinery, technical know-how, assistance etc. The Government of India have approved the agreement and have cleared our application for the import of machinery to the extent of Rs 2.44 Crores as against Rs 3 Crores applied for by us and it is expected that the import licence for the above will be received shortly.

Regarding doubling the capacity of our Pulp Plant, we have already received Industrial Licence from the Government of India, who have also given the necessary clearance for the import of capital goods for Rs 2.95 Crores as against Rs 7.04 Crores applied for by us for this expansion. We have already taken up with the Government for the clearance of remaining items of machinery.

Labour Relation :

The relations with the labour continued to be cordial. In furtherence of our established policy to provide more modern living conditions to all classes of our employees we have spent Rs 39 lakhs so far, for the construction of quarters. Loans are also being advanced to workers for the construction of their own houses.

The One year Renewable Term Insurance Scheme introduced in collaboration with L.I.C. for the benefit of our employees with the premium fully borne by the Company is being continued this year also.

Conclusion :

The performance of the Company in general has been satisfactory for the year under review inspite of powercut, shortage of raw matetials and imported spares.

I am sure that the shareholders will wish to join me in thanking the Management, our Collaborators, Bankers, Contractors, the Staff and Workers of the Company at all levels who, despite the many difficulties with which the Indian Industry is faced year after year, have continued to serve the Company in a very satisfactory, disciplined and self reliant measure.

Note : This does not purport to be a record of the proceedings of the Annual General Meeting.

Save with grace

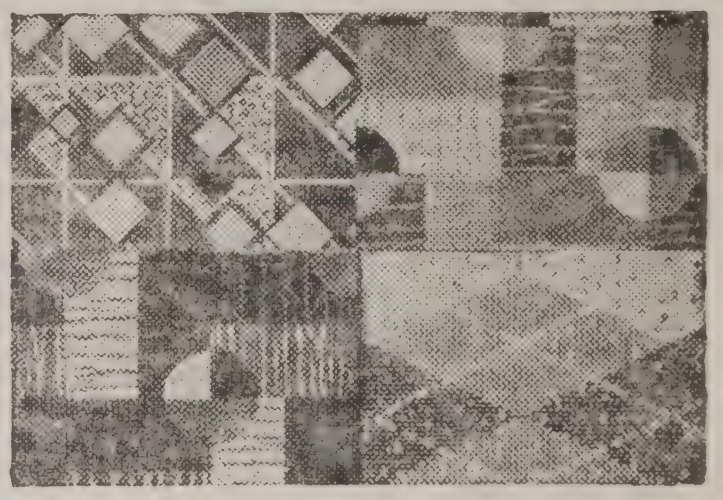
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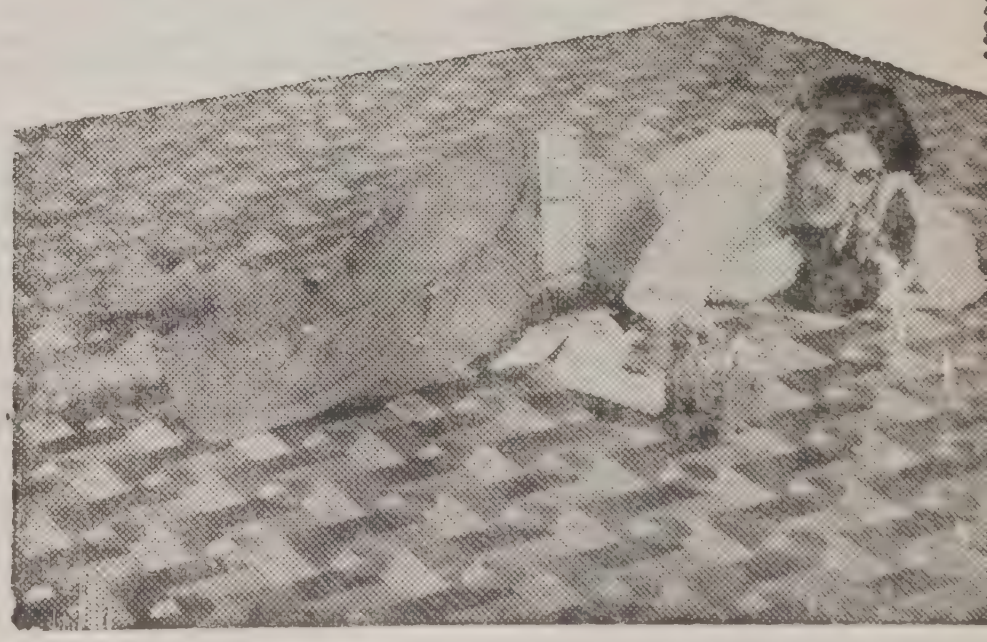
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Anglo French Textiles Limited

STATEMENT TO THE SHAREHOLDERS BY THE CHAIRMAN

The year 1973 turned out to be a satisfactory year for the cotton textile mill industry, despite the fact that cotton production in 1972-73 fell sharply to 62.7 lakh bales from the bumper crop of 73.5 lakh bales realised in the preceding year 1971-72. The stock position of Indian cotton at the commencement of the 1972-73 season was, however, larger at 24·5 lakh bales as compared to 13·5 lakh bales at the commencement of the 1971-72 season. Production of cotton yarn during the year stood at 987 million kgs. as against 972 million kgs. in 1972 but the production of cloth by the mill sector declined from 4245 million metres in 1972 to 4153 million metres in 1973 mainly due to constraints in power supply. Exports of cotton textiles during 1973 reached an all time high of Rs. 195 crores as against Rs. 150 crores during 1972. Cotton piece-goods accounted for Rs. 121 crores being the value of 572 million square metres as against 430 million square metres valued at Rs. 81 crores in the preceding year.

So far as your Company was concerned, production, sales and profitability in 1973 were the best achieved so far in the Company's history. Production during the year compare favourably with that of the preceding four years as under :

		1969	1970	1971	1972	1973
Yarn :	Million Kg.	7·2	7·3	8·1	7·8	8·8
	Average Count	16·3	16·1	15·9	15·2	14·6
Cloth :	Million Metres	35·6	37·8	44·9	43·3	46·1
	Million Kg.	6·2	7·3	8·7	9·2	10·4

The f.o.b. value of the Company's exports during the year scaled new heights as the following figures show :

Rupees (Lakhs)

	1969	1970	1971	1972	1973
Yarn :	32	11	—	—	—
Cloth :	310	258	477	460	710
	342	269	477	460	710

As a result of the continuous endeavours to promote export of its production, the Company achieved significant results in its export targets, making it the second largest manufacturer-exporter of cotton textiles in India.

Domestic sales which were maintained at the previous year's level accounted for 24·3 million metres (1972 : 24·2 million metres) constituting over 55% of the total sales. Exmill value of domestic sales increased during the year to Rs. 755 lakhs as against Rs. 612 Lakhs in 1972.

Despite the gratifying results achieved during the year, your Directors have considered it prudent to maintain the equity dividend at the same rate as last year, namely Rs. 15 per share. Your Directors have drawn up plans for the addition of 12,400 spindles, and 72 heavy duty looms at an estimated cost of Rs. 401 lakhs. The new factory buildings are coming up rapidly, and it is expected that about 6,000 spindles will go into production before the end of 1974. Along with the above scheme your Directors will have to undertake replacement of a sizable part of the ageing machinery. The need for generating internal resources, is, therefore of paramount importance. It is in this context that I commend your Directors' policy of maintaining the equity dividend at 15% though I appreciate that the Company's efforts towards consolidation and greater security are vitiated to a large extent by rapid increases in the cost of labour in the form of steadily increasing quantum of dearness allowance and bonus. This is further aggravated by the reluctance of labour to accept rationalisation of workloads which is essential for the well being of the Company and will contribute to better utilisation of machinery and increased production.

As for the prospects for the current year, there are a number of disturbing factors which make these prospects rather disquieting. Shortage of raw cotton, high costs of inputs, partly outdated machinery, low productivity, labour unrest and the credit sqeeze are some of the problems now faced by the Indian cotton textile mill industry. Cotton shortage has plagued the industry for many years. Today the gap between demand and supply has widened to over a million bales. The industry obtained some relief in 1972 following a bumper crop of over seventy lakh bales in the 1971-72 season. But cotton production declined in 1972-73 to sixty-two lakh bales and still further in 1973-74 to about sixty lakh bales with the result that the prices of indigenous cotton started rising and are now at an all time high. The activities of the Cotton Corporation of India which has for its objects the ensuring of a remunerative price to the growers and stabilising of cotton prices for the industry have not been very helpful to the industry. Its ill timed purchases far above ruling prices resulted in giving a further push to rising cotton prices. The industry has also been called upon to increase its socio-economic responsibility by contributing from 1st April 1974 about 24% of its production in controlled varieties of cloth at prices far below cost of manufacture. In terms of quantity, this would represent above 800 million square metres for the industry. Any shortfall in the fulfilment of this obligation would have to be made good by the defaulting mills at the rate of Rs. 2.50 per square metre. Thus, your Company has an obligation to produce about 8 million square metres of controlled varieties of cloth during the nine months of 1974. It is however expected that rebate earned through exports would to some extent mitigate the harsh impact of this obligation on the Company's trading results for the ensuing year.

Labour relations since the beginning of the year have deteriorated largely due to inter-union rivalry. The settlement of a strike which lasted for 23 days in February/March 1974 has increased the Company's wage bill by over ten percent without any corresponding increase in labour productivity. Unrelenting inflation has been exerting its pressure on all inputs particularly raw cotton, wages, dyes and chemicals, stores, machinery spares etc. Power supply too has become uncertain. All these factors have combined to increase the cost of manufacture which apart from producing a debilitating effect on the industry will inevitably reduce the competitiveness of cotton fabrics of Indian manufacture in the overseas markets where Indian fabrics are already facing a fierce competition from other exporting countries.

The year under review has been a very successful year for your Company, and I should like to pay a tribute to my colleagues on the Board and to the staff and the employees for the co-operation and good work done by them. I must also compliment Messrs. AFTCO Products (Textiles) Limited for continuing to handle the Company's products in the U.K. with their wonted efficiency.

Registered Office :
Mill Premises,
Cuddalore Road,
Mudaliarpeth,
Pondicherry,
Dated : 29th April, 1974.

T. S. KRISHNA

Chairman.

COMPANY AFFAIRS

Britannia Biscuit

CONSIDERED against the background of irregular supplies of flour, non-availability of several ingredients and materials and severe power cuts, the performance of the Britannia Biscuit Co Ltd for the year ended March 31, 1974 is indeed quite satisfactory. With an expansion in sales from Rs 23.29 crores to Rs 26.19 crores, gross profit advanced to Rs 2.46 crores from Rs 2.27 crores. Out of the gross profit, the directors have appropriated a sum of Rs 33.65 lakhs to depreciation reserve as against Rs 26.03 lakhs while taxation absorbed Rs 122.00 lakhs as against Rs 112.65 lakhs in 1972-73. Development rebate reserve was alloted with Rs 9.75 lakhs as compared to Rs 0.90 lakh in the earlier year. After adjustments the surplus amount available for appropriations came to Rs 81.46 lakhs as compared to Rs 88.76 lakhs in 1972-73. The directors have maintained the equity dividend at 17 per cent. It will absorb Rs 45.15lakhs.

The company's new bread plant at Calcutta is expected to be commissioned sometime by the middle of this year while its first seafoods plant at Thana is in operation since August last. Initial operations were hampered by high raw material prices especially that of prawn, the main item. The company has applied for an allotment of trawlers so that raw materials can be procured at favourable costs by its own vessels. Besides diversified activities have been planned to keep the plant engaged during the off season. The company plans to extend the seafoods operations in a phased manner to coincide with the development of infrastructure facilities in coastal areas and the acquisition of a sufficient fleet of trawlers. While considerable progress has been made on the seafoods project tangible results will accure to the company only after several years. The project, however, has good prospects. The company is continuing its search for new projects and opportunities of develop its activities with the accent on export potential.

Anglo French Textiles

The creditable performance and significant achievements of Anglo French Textiles Ltd in the fields of production, sales, profitability and exports in 1973 have been highlighted by the Chairman Mr T.S. Krishna in his annual statement circulated to the shareholders of the company. In fact, production, sales and profitability in 1973 were the best achieved so far in the company's history. Production of cloth rose spectacularly from 35.6 million metres in 1969 to 46.1 million metres in 1973 and it was higher by 2.8 million metres as compared to 1972. The output of yarn too recorded an appreciable rise, increasing from 7.2 million kgs in 1969 to 8.8 million kgs in 1973. As compared to 1972, the output of yarn was up by a million kg. The company has also made fine progress in the sales of its products overseas. Its exports have more than doubled during the 1969-73 period, the figure for 1973 being of the order of Rs 7.10 crores. As a result of its continuous efforts to promote exports, the company was able to win the distinction of being the second largest manufacturer-exporter of cotton textiles in the country.

As a result of substantial gains on all fronts, the company's gross profit too leaped to Rs 176.89 lakhs, registering a sharp rise of Rs 91.06 lakhs or 106 per cent over 1972. Despite the commendable results achieved during the year the directors have considered it prudent to maintain the equity dividend at Rs 15 per share. Meanwhile the company has drawn up schemes for the addition of 12,400 spindles and 72 heavy duty looms at an estimated cost of Rs 4.01 crores. It is expected that 6000 spindles will go into production before the end of the current year. Along with the above scheme the company has also undertaken replacement of a sizable part of the ageing machinery. As considerable internal resources have to be generated for financing these schemes the directors have followed the pragmatic policy of maintaining the equity dividend at 15 per cent. The company has an obligation to produce about eight million square metres of controlled varieties of cloth during the nine months of 1974. It is, however, expected that rebate earned through exports would to some extent mitigate the harsh impact of this obligation on the company's trading results for the ensuing year.

Madras Aluminium

Although the government has increased the selling prices of aluminium products by about Rs 1000 per tonne, the present increase granted by the government still does not fully compensate for the increase in cost compared to the cost of production of 1970. This was stressed by Mr R. Venkataswamy Naidu, Managing Director of Madras Aluminium Co Ltd., while addressing the annual general meeting of the company. A successful breakthrough in the manufacture of rolled products by continuous casting process has been made by the company and it was anticipated that it would be in a position to market the finished products before the end of 1973. The hopes have not materialised due to critical power supply. With the better power supply position in 1974 it is hoped that the company would be able to continue its efforts in that direction. The company has also programmed, subject again to the availability of power, to commission all the new pots by the end of 1974 to raise its production capacity to 25,000 tonnes of primary metal.

Referring to the central government's decision to control distribution of commercial grade aluminium, Mr Venkataswamy Naidu said that during the past few months, there had been a scarcity for aluminium in the market and the small-scale industries had to suffer on account of non-availability of sufficient raw material for their production. It was only after Malco's development, there had been tremendous increase of small scale units in the state of Tamil Nadu utilising aluminium. There are nearly 500 licensees in the small-scale sector in the state depending upon commercial grade aluminium for their production. Hence the company has represented to the government to allow it some freedom in the distribution of commercial grade aluminium metal so as to enble it to meet to some extent the requirements of small scale sector in the state.

Mahindra Ugine

At a time when units in the country depend upon imports, partially or even completely, for their requirements and units are faced with a hand-to-mouth raw materials position with the buffer stocks almost fully depleted, there is a overwhelming need to reconsider the very question of canalisation through state trading organisations. In this connection, Mr Harish Mahindra, the Chairman of Mahindra Ugine Steel Company Ltd, has put forward

two valuable suggestions. According to him, the imports of at least key items may be partially or wholly canalised. By partial decanalisation it is meant that a particular production unit may be allowed to import only the first six months requirements or in an emergency situation and the regular imports of such items may be continued to be cancalised through a state trader. Alternatively the government may also consider arranging for imports of such items through export houses which are by and large reputed for their swift trading practices.

Referring to the expansion programme, the chairman said that effective steps are being taken by the company to complete the entire expansion scheme and commence commercial operations by the beginning of the second quarter of 1977. Another development of considerable significance is the scheme of amalgamation of Bank of Baroda Ltd with the company. The scheme is to take effect from July 1974. Even if there is delay in obtaining the necessary approval of the Controller of Capital issues the scheme would be operative with retrospective effect from July 1974. The company would be further endowed with eight crores of rupees by virtue of this amalgamation, which by all standards, is fairly large an addition to the readily available funds of the company. This would also enable it to go ahead with the expansion programme and complete it on a crash basis. During 1973 the company was able to implement a balancing scheme and thereby ensure a fuller utilisation of the rated capacity in most of the key production departments of the company's integrated plant. The performance during 1974 is likely to be of the same order as during 1973.

Sandvik Asia

Sandvik Asia Ltd has reported fine progress during the year ended December 31, 1973 with sales, profits and exports exceeding the previous year's encouraging performance by considerable margins. Sales improved by about 22 per cent from Rs 6.3 crores to 7.7 crores while profit before tax increased by nearly 16 per cent from Rs 1.52 crores to Rs 1.76 crores. Its exports were higher at Rs 46.83 lakhs as compared to Rs 33.94 lakhs in 1972, a rise of about 38 per cent. Besides the company has received a letter of intent from the government for substantial expansion of its capacity from 84 tonnes to 150 tonnes. Equity dividend too has been stepped up from Rs 18 to Rs 20 per share. The issue of bonus shares in the proportion of one share for every five shares was completed during the year after receipt of the requisite consent of the Controller of Capital Issues. As far as the current year is concerned the company's position is quite satisfactory from the stand point of order influx as well as turnover. As on June 15, 1974 the company had

SYNDICATE BANK

Condensed Balance Sheet as at 31st December, 1973

(Rounded off to the nearest Rupee)

Capital and Liabilities	Rs.	Property and Assets	Rs.
1. Capital (Wholly owned by the Central Government)	1,41,97,104	1. Cash (in hand with Reserve Bank of India and State Bank of India)	30,19,00,423
2. Reserve Fund and other Reserves	2,42,24,700	2. Balance with other Banks	1,52,12,442
3. Deposits and other Accounts	343,77,99,232	3. Money at Call and Short Notice	Nil
4. Borrowings from other Banking Companies, Agents, etc.	15,77,88,501	4. Investments	109,91,50,955
5. Bills payable	4,68,84,979	5. Advances (including Bills purchased & discounted)	230,40,79,695
6. Bills for collection being bills receivable as per contra	22,74,81,579	6. Bills receivable being bills for collection per contra	22,74,81,579
7. Other Liabilities	23,02,88,054	7. Constituents' liabilities for acceptances, endorsements & other obligations per contra	15,99,77,808
8. Acceptances, Endorsements and other obligations per contra	15,99,77,808	8. Premises less depreciation	89,85,104
9. Balance to be transferred to Central Government	23,40,930	9. Furniture, Fittings etc. less depreciation	2,03,76,498
		10. Other Assets	16,29,46,966
		11. Non-Banking Assets acquired in satisfaction of claims less depreciation	8,71,417
TOTAL Rs.	430,09,82,887	TOTAL Rs.	430,09,82,887

As on December 31st 1973

* Deposits Rs. 343 .78 Crores
* Advances Rs. 230 .41 Crores
* Advances to priority Sectors Rs. 106 .54 Crores which account for nearly 47% of the Bank's total advances.
* Deposit Accounts 33 .71 lakhs
* Borrowing Accounts 6 .58 lakhs
* Branches 638

Head Office : Manipal
(Karnataka State)

K. K. PAI,
Chairman & Managing Director

orders on hand to the tune of Rs 8.6 crores. The turnover of the company during the period January 1 to June 15, 1974 is about Rs 4.14 crores as against Rs 2.90 crores during the corresponding period of last year. The profits during the year will not be commensurate with the increase in turnover mainly due to the continued escalation in costs of both indigenous and imported raw materials. All the same the company is making every effort to maintain and if possible to enhance the profitability of the company.

Mafatlal Fine

The directors of Mafatlal Fine Spg. &: Mfg. Co Ltd have raised the equity dividend to 20 per cent, (including a cash bonus of three per cent) for the year ended March 31, 1974 as against 17 per cent paid for 1972-73. Unlike the previous year, the entire dividend for 1973-74 is tax-free. With a smart rise, in net sales from Rs 35.13 crores to Rs 39.93 crores gross profit rose spectacularly to Rs 5.10 crores from Rs 3.87 crores. Out of the gross profit, the directors have appropriated a sum of Rs 186.04 lakhs to depreciation reserve, Rs 14.43 lakhs to development rebate reserve, Rs 154.50 lakhs to taxation reserve, Rs 30 lakhs to debenture redemption reserve, and Rs 68.20 lakhs to tax exempted profits reserve, and Rs 75.40 lakhs to general reserve as against Rs 183.36 lakhs, Rs 36.20 lakhs, Rs 90.75 lakhs, Rs 20 lakhs, Rs 21.50 lakhs and Rs 32.50 lakhs provided respectively in 1972-73. The proposed dividend will absorb Rs 54 lakhs as compared to Rs 45.90 lakhs in the prececeding year and it will be paid out of the general reserve.

Bank of Baroda

The Bank of Baroda has announced the opening of its branch at Dubai in the United Arab Emirates. It is the first Indian Bank to venture into the Gulf area. Added, thus, to United Kingdom, Kenya, Mauritius, Fiji Islands, Guyana and subsidiaries in Uganda is the branch in one more area of importance in the nation's trade and commerce. This takes the Bank's total number of foreign branches to 30. The opening of this branch in Dubai in the United Arab Emirates is a step to further strengthen its existing ties with this area.

GIIC

An agreement between Gujarat Industrial Investment Corporation Limited and International B. F. Goodrich Company, a Division of the B. F. Goodrich Company, to provide technical and engineering services for the proposed automobile tyres and factory in Gujarat, has become effective. The project will be implemented at an estimated cost of Rs 25 crores and the plant will be constructed and operated by Gujarat Tyres Limited, a new company promoted by GIIC. The plant will make a wide variety of automobile tyres aud tubes. The B. F. Goodrich Company founded in 1870 has been an innovative leader in tyre technology, having introduced many firsts in this field since 1884. The company's sales have now reached the figure of $ 1.7 billion and is producing tyres and rubber products, chemicals, and synthetic rubbers in 38 countries outside the USA.

Indian Aluminium

The Board of Directors of Indian Aluminium Company Ltd has decided to make the first call of Rs 6.00 per share on the partly-paid ordinary shares issued on March 26, 1974. Out of this first call, Rs 2.50 per share will be credited towards par value and Rs 3.50 per share towards premium. The first call is being made on holders of the aforesaid partly-paid ordinary shares on record on the Register of Members of the Company on July 12, 1974. These new partly-paid ordinary shares were issued at premium of Rs 11.00 per share, making an issue price of 21.00 per share. Of the issue price, Rs 10.00 (Rs 5.00 toward par value and Rs 5.00 towards premium) was paid on application. After payment of the first call of Rs 6.00 per share mentioned above, the balance of Rs 5.00 per share (Rs 2.50 towards par value and Rs 2.50 towards premium) will be payable at a laters rate, when called for.

Coca-cola

The Coca-Cola Company and the State Committee for Science and Technology of the Council of Ministers of The USSR, have signed an agreement covering long-term cooperation in a number of areas. The major areas of cooperation defined in the agreement include the development of scientificially enriched nutritional foods, the processing of tea products, the production of beverages and other agricultural and industrial undertakings. The Coca-Cola Company is today doing business in 137 countries. In the socialist countries apart from the present agreements with the Soviet Union, it has been active for years in Poland, Yugoslavia, Bulgaria, Hungary and Czechoslovakia. It is by far the largest enterprise of its kind in the world. in addition to the manufacture of soft drinks, the Coca-Cola Company is the world's single largest grower and processor of citrus and citrus products including fruit juices and fruit juice concentrates. The company is also a worldwide producer of instant coffee, tea, flavoured drinks and other instant food products. Through its Aqua-Chem subsidiary, the Coca-Cola Company is the world's leading designer and manufacturer of seawater desalting equipment and major producer of packaged steam generators and water purification equipment.

Baroda Rayon

Despite many overwhelming problems, Baroda Rayan Corporation has been able to procure important raw materials such as pulp, sulphur and coal for power generation to keep the factory working in all the shifts. Moreover the company will have no difficulty for pulp and sulphur this year, as it has already taken steps to procure these items well in advance. For instance, in the absence of sufficient allotment of wagons, the company arranged for road movement of the coal even at a substantially high cost and this arrangement has, saved the company from the stoppage of the plant.

The company is getting supplies of caprolactum for the nylon plant through the STC and the stock is sufficient to run the factory for about a quarter. However, Gujarat State Fertiliser Company Limited has given an indication that its plant to manufacture caprolactum would work at about 30-40 per cent of its capacity of 20,000 tonnes per annum during the first year and it may start supplies from this month. This may leave only a marginal gap between the supplies and the actual requirement. If these estimates do not come true, the company will have no alternative but to rely on the STC for the supplies of caprolactum, which has been very irregular. Barring unforseen circumstances, it is expected that the production of rayon will be maintained and production capacity of the nylon plant will be achieved during this year. Subject to the satisfactory position of raw material supplies the management is endeavouring to maintain its progress and hope for better results in 1974.

Althouh the arrears of dividend on preference shares will have to be paid out of the profits for the year 1974, and the provisions for the development rebate on nylon plant is also required to be made this year, the directors are hopeful to maintain the earnings even on enlarged capital. The company has recognised that its future prospects lie in rapidly expanding and diversifying the activities. It is considering how best to utilise the internal resources now available and will accrue in the future for investment in new schemes for which plans are being drawn up. In pursuance of this policy, the Board is giving its immediate attention to increase the

present capacity of the nylon plant of the company from 1800 M. T. to 2100 M. T. per anuum and to implement the nylone tyre cord project for which the collaboration agreement has already been finalised. The Company is holding letters of intent for both these schemes. These schemes would take a concrete shape in about three to four months' time.

News and Notes

(*Expansion and diversification*)

Jagatjit Industries Ltd is in the process of finalising arrangements for technical know-how with Central Food Technological Research Institute for its soya bean project. This plant will be set up in the state of Maharshtra in collaboration with the State Industrial and Investment Corporation of Maharashtra Ltd (SICOM) who have agreed in principle to collaborate with the company in this project. The company is also seeking an industrial licence for setting up a composite milk project for manufacture of processed milk foods in Andhra Pradesh. The matter is still pending with the government.

Dr. A.J.P ,Sabberwal, internationally acknowledged production engineering expert, has taken over as the new managing Director of **Asbestos Cement Ltd**—the pioneer manufacturers in the country of well known 'Everest' Asbestos Cement Building Products. Prior to joining Asbestos Cement Ltd, he was Engineering Director of Ferodo Limited of UK which was a rare distinction for an Indian to hold top technical and managerial position in a large company in the UK. His immediate efforts would be to strengthen the research and development base of the company. Under his leadership, Asbestos Cement Ltd, also plans to undertake diversification projects which will raise the investment base of the company and consequently provide larger employment opportunities as well as dilute foreign equity as a result of increased Indian public participation.

Capital and Bonus Issues

Consent has been accorded to 10 companies to raise capital amounting to over Rs. 15.96 crores.

Following are the details :

Crompton Greaves Ltd., Bombay, has been accorded consent for the issue of bonus shares worth Rs 2.4 crores to the existing shareholders of the company.

Consolidated Pneumatic Tools Company (India) Ltd., Consent valid for issue of bonus shares worth Rs 58.95 crores crores and thereafter a right equity issue of Rs 6.355 lakhs at a premium of Rs 35 per share of Rs 100 to be issued to resident Indian shareholders only.

Malankara Rubber and Produce Co. Ltd., Kottayam, Consent valid for the issue of bonus shares worth Rs 4.5 lakhs to the existing shareholders of the company.

Chloride India Ltd., Calcutta Consent valid for three months to the issue of bonus shares worth Rs 1.888 crores to be issued to existing shareholders of the company.

Sri Balasubramania Mills Ltd., Coimbatore, consent been valid for three months to capitalise Rs 6.406 lakhs out of its general reserve and issue fully paid equity shares of Rs 10 each' as bonus shares, in the ratio of one bonus shares for every two equity shares held.

Shah Malleable Castings Ltd., Bombay, Consent valid for three months,to capitalise Rs 15 lakhs out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every two equity shares.

Shervani Sugar Syndicate Pvt. Ltd., Allahabad Consent valid for three months, to capitalise Rs 7,98,750 out of its general reserve and issue fully-paid equity shares of Rs 10 each and deferred shares of Rs 2.50 each as bonus shares, in the ratio of the equity bonus shares for every two equity shares held, and 10 deferred bonus shares for every four deferred shares held.

Industrial Credit and Investment Corporation of India Ltd : Consent valid for 12 months, to issue debentures of the value of Rs 9 crores to be offered to public at 99.5 per cent for cash. The proceeds of the issue will be utilised for augmenting the rupee resources of the corporation to meet the demands of industries for financial assistance.

Bombay Suburban Electric Supply Ltd., Bombay, Consent valid for 12 months for the issue of 8.5 per cent of class mortgage redeemable convertible debentures of the value of Re 1 crore and cumulative redeemable second preference shares worth Rs 50 lakhs.

Parkash Tubes Ltd., Delhi has communicated proposal for issue of share to the value of Rs 75 lakhs (inclusive of the total capital already raised) divided into 6 lakhs equity shares of Rs 10 each and 15,000 9.5 per cent cumulative redeemable preference shares of Rs 100 each cash at par out of which equity of Rs 36 lakhs and preference shares of Rs 15 lakhs will offered to the public for subscription.

New Issues

Davangere Suger Co. proposes to enter the capital market shortly with a public issue of 5.50 lakh equity shares of Rs, 10 each at par. The proceeds of the issue will be utilised for financing partly the company's Rs. 4 crore of sugar plant which is being set up at Davangere (Karnataka) with an installed capacity of 1250 tonnes of cane per day. The company hopes to start production in the current crushing season. Machinery has been obtained from Walchandnagar industries. The total cost of the project of Rs. 4 crores will be met by share capital (Rs 1.60 crores), debenture issue to be privately placed with the UTI (Rs 10 lakhs) and term loans (Rs 2.30 crores). In view the gap between demand and supply of sugar, the outlook for the industry is quite good and the company hopes to pay a reasonable return on the equity capital.

Dividends

(Per cent)

Name of company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Steel Containers	Dec.	31, 1973	25.0	20.0
Fibreglass Pilkington	March	31, 1974	12.0	9.0
Lakshmi Mills	March	31, 1974	20.0	15.0
Hindustan Sanitaryware	March	31, 1974	15.0	12.0
Bhartia Electric Steel	Dec.	31, 1973	10.0	7.5
Ahmedabad New Cotton	Dec.	31, 1973	18.0*	14.0
Sendra Investments	Dec.	31, 1973	5.0	4.0
Paper Mills Plant & Machinery	March	31, 1974	12.0	10.0
Khandelwal Udyog	Dec.	31, 1973	10.0	9.0
Same Dividend				
Anil Starch Products	Dec.	31, 1973	15.0	15.0
Indian Dyestuff	March	31, 1974	16.0	16.0
Ferro Alloys Corpn.	Dec.	31, 1973	Nil	Nil
Wimco	Dec.	31, 1973	12.0	12.0

Including the Bonus of two per cent.

Licences and Letters of Intent

The Following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951 during the week ended February 2, 1974. The list contains the names and addresses of the licensees, articles manufacture, types of licences—New Undertaking (NU), New Article (NA), Substantial Expansion (SE) Carry on Business (COB); Shifting—and annual installed capacity. Details regarding the letters of intent revoked, cancelled or surrendered are also given.

Licences Issued

Metallurgical Industries (Ferrous)

Mr Onkar Nath Chopra, E-437, Greater Kaiiash-II, New Delhi.—(Ghazilbad-UP)—High Tensile Bolts & Nuts—2,500 tonnes p.a. (NU)

Mr Chandra K. Jain, 106-B, New Mandi, Muzaffar Nagar. —(Bulandshahar-UP)—High Tensile Bolts & Nuts—2,000 tonnes p.a.—(NU)

Electrical Equipment

M/s Logic System Ltd; K-A/8, Kavi Nagar, Ghaziabad.—(Ghaziabad-UP)—Electronic Desk Calculators—2,000 nos. p.a. —(NU)

Dyestuffs

M/s Colour-Chem Ltd; Fort House, 221, Dadabhoy Naoroji Road, Post Box No. 1640, Bombay-1.—(Bombay-Maharashtra) —Vinyl Sulphonic Reactive Dyestuffs—90 tonnes p.a.—(NA)

Textiles

M/s Associated Industries (Assam) Ltd; P.O. Chandrapur, Distt: Kamrup.—(Chandrapur; Distt: Ramrup-Assam)—Yarn made wholly or partly out of cotton, synthetic and artificial (man-made) —25,000 spindles—(SE)

M/s Vijapoor Taluka Cotton Growers' Co-operative Spg. Mills Ltd; Vijapur.—(Vijapur-Gujarat)—Yarn made wholly or partly out of cotton, synthetic and artificial (Man made, fibre —25,000 spindles—(NU)

M/s The Haryana State Co-operative Supply & Marketing Federation Ltd; Chandigarh—(Haryana)—Yarn made wholly or partly out of cotton, synthetic and artifical (man-made)—25,000 spindles.—(NU)

M/s Mysore State Industrial Investment & Development Corpn. Ltd; Bangalore.—(Karnataka)—Yarn made wholly or party out of cotton, synthetic and artifical (man-made)—25,000 spindles—(NU)

M/s Nataraj Spinning & Weaving Mills Ltd; Nirmal, Adilabad Distt; Andhra Pradesh.—(Nirmal-Andhra Pradesh)—Yarn made wholly or partly out of cotton synthetic and artificial (manmade)—25,000 spindles.—(SE)

M/s Girdhardas Harivallavdas Mills Ltd; Near Girdharnagar Railway Crossing, Ahmedabad.—(Ahmedabad-Gujarat)—Cotton Cloth—300 looms.—(SE)

M/s Bilaspur Spinning Mills & Industries Ltd; 5-Synagogue Street, Calcutta-1.—(Madhya Pradesh)—Yarn made wholly or partly out of cotton, synthetic and artificial (man-made) fibre —25,024 spindles—(SE)

M/s The Maneklal Harilal Spinning & Manufacturing Co. Ltd; Sarangpur Road, Ahmedabad.—(Gujarat)—Cotton & Terry Cotton Textiles—998 looms—(SE)

M/s New Great Eastern Spinning & Weaving Co. Ltd: 25-29, Dr. Ambedker Road Byculla, Bombay-27.—(Bombay-Maharashtra)—Cotton Cloth—1042 looms—(SE)

Sugar

Mr Kailash Kumar Singh, Chairman: Cane Society Budaun, Village & P.O. Hazratganj, Budaun (UP)—(Baduan-Uttar Pradesh)—Sugar—1250 tonnes of cane crushing capacity per day—(NU)

M/s Star Woollen Mills; 424, Industrial Area 'A, Ludhiana-3. —(Ludhiana-Punjab)—Worsted Fabrics—22 looms. Art Silk Fabrics—4 looms—(SE)

Food Processing Industries

M/s Food Specialities Ltd; Link House, 3, Bahadurshah Zafar Marg, New Delhi-I.—(Moga-Punjab)—Baby Food—4,500 tonnes. Milk Powder—2,000. tonnes—(SE)

Mr P. Thangaraja, 30, Ashoka Road, Officers Lane, Madras —(Pallanaram, Madras, Tamil Nadu)—Malted Milk Food—960 tonnes p.a. Baby Food—300 tonnes p.a.—(COB)

M/s Sabarkantha District Co-operative Milk Producers Union Ltd; Himatnagar, Ahmedabad-16.—(Himatnagar-Gujarat) —Milk Powder—4,000 tonnes By-products : Butter—3,000 tonnes p.a., Ghee—1,000 tonnes, Casein—500 tonnes—(NU)

Rubber Goods

M/s Himalaya Rubber Products Ltd; Stephen House, Room No. 102, Dalhousie Square East Calcutta-1.—(Kalyani-Nadia Distt: West Bengal)—Fan & V-Belts—10 lakh nos p.a. (NU)

Leather, Leather Goods & Pickers

M/s Haryana Tanneries Ltd; S.C.O., 4-5, Sector-17-A, Chandigarh—(Jind-Haryana)—Upper Leather from Skins—4,20,000 nos. p.a. Lining Leather from Skins—1,80,000 nos. p.a.—(NU)

Letters of Intent

Electrical Equipment

Mr P. Sharan Gupta, Sharan Kutir. Kashmiri Gate, Delhi —(Alwar-Rajasthan)—Halogen Lamps—2,50,000 nos. p.a.—(NU)

M/s Eskay Industries; 206, Kakad Commercial Chambers; 132, A.B. Road, Worli, Bombay—(Sagaon, Distt : Kalyan, Maharashtra)—Halogen Lamps—1,10,000 nos. 4—(NA)

M/s Auto Lamps; 6-Alipore Road, Delhi-6—(Alwar-Rajasthan)—GLS Lamps—7.5 mill. nos.p.a.—(NU)

Mr R.K. Maheshwari, 7-A, Chowringhee Terrace, Calcutta —(Bihar)—GLS. Lamps—7.5 Mill. nos. p.a.—(NU)

M/s Geep Flashlight Industries; 28-South Road, Allahabad —(Uttar Pradesh)—GLS. Lamps—7.5 mill. nos. p.a.—(NU)

The West Bengal Industrial Development Corpn.; 23-A, Netaji Subhas Road, Calcutta—(West Bengal)—Tungsten Filaments—104 mill. pieces p.a.—(NU)

M/s United Lamps Co.; Hong Kong House, (1st Floor), 31, Dalhousis Square, Calcutta—(Orissa)—GLS. Lamps—7.5 mill. nos. p.a.—(NU)

Transportation

M/s Rockman Cycle Industries, 730, Industrial Area-B, (Ludhiana-Punjab)—Bicycles Roller Chains—Ludhian-300 12,00,000 pieces—(NA)

Chemicals

M/s The Indian Rayon Corpn. Ltd; Veraval-Junagadh Road, Veraval—(Gujarat)—Caustic Soda—17,800 tonnes p.a.—(NU)

M/s Farm Chemicals Pvt. Ltd; Jiji House, Raveline Street, Bombay-1—(Gujarat)—Diuren—120 tonnes p a.—(NA)

Mr K.C. Sethi, (Chemicals (India); P-960, Lake View Road, Calcutta—(Dewas/Ratlam-Madhya Pradesh)—Polyamide Resins —800 tonnes p.a.—Dimar Acid—600 tonnes p.a. (NU)

Mr Alok Mandelia, Partner: Happy Home, Dr. Annie Besant Rd; Worli, Bombay—(Ratnagiri Distt; Maharashtra)—Electrolytic Manganese Dioxide—3,000 tonnes p.a.—(NU)

M/s Traco Traders (P) Ltd; 77/A-I, Park Street, Calcutta—(Asansol-West Bengal)—Acetylene Black—1,000 tonnes p.a.—(NU)

Drugs & Pharmaceuticals

M/s Indian Drugs & Pharmaceutical Ltd; N-12, South Extension, Part-I, Ring Road, New Delht—(Hyderabad-Andhra Pradesh)—1. Thiacetazone—5 tonnes; 2. Vitamin B 6 and its Derivatives—50 tonnes; 3. Sulphadimethozine—30 tonnes—(NA/SE)

M/s Themis Chemicals Ltd; Vapi Industrial Area, Plot No. 69· Vapi, Distt : Bulsar Gujarat—(Gujarat)—Vitamin B-6 and its derivatives—20 tonnes p.a.—(NA)

Textiles

M/s Cambodia Mills Ltd; Ondipudur P.O., Coimbatore—(Coimbatore-Tamii Nadu)—Wide Width Fabrics & Terry Towels—300 looms—(SE)

Food Processing Industries

M/s Bedi Company; 14-Palace Road, Bangalore-18—(Morena, Distt: Gwalior, Madhya Pradesh)—Skimmed Milk Powder and whole milk powder—1440 tonnes p.a., Casein—60 tonnes p.a.—(NU)

Vegetable Oils & Vanaspati

M/s Mewat Metal Powders (India) Pvt. Ltd; Harnesh Chambers, 313/19, Samuel Street, Bombay—(Nainital-UP)—Soyabean Oil & Soyabean Meal—30,000 tonnes interms of soyabean seeds Seylecithin—250 tonnes p.a.—(NU)

Rubber Goods

M/s Madras Rubber Factory Ltd; Dhun Building, 175/1, Anna Salai, Madras—(Kandpur-Goa)—Automobile Tyres—8 lakh nos. p.a. Automobile Tubes—8 lakh nos. p.a.—(SE)

Leather, Leather Goods & Pickers

Mr Pahlaj Bhajandas Bajaj, Managing Director, Pahlaj Bajaj & Co., 2nd Floor, Behramji Mansion, Sir P.M. Road, Bombay-1—(Bangalore-Karnataka)—Leather Watch Straps—60,00,000 nos. p.a.—(NU)

Mr Abdul Gaffar, Rang Hamam, Nowhatta, Srinagar—(Srinagar-Jammu & Kashmir—Leather Garments—128,400 skins p.a. Leather Gloves—128,400 skins p.a. Lining Leather—43,200 skins p.a.—(NU)

Glass

Mr H.A. Dharmsey, Rayon Fabrics; 168-170, Sheriff Devji Street, Chakla, Bombay-3—(Surat-Gujarat)—Continuous Filament 'E' Glass Fibre Yarn, Roving Reinforcement material from Glass Fibre—1800 tonnes p.a. Matas from Waste Yarn—126 tonnes p.a. Woven Rovings—400 tonnes p.a.—(NU)

M/s Nuchem Plastics Ltd; 54, Industrial Area, Faridabad, N.I.T., Haryana—(Haryana)— Glass Filament Yarn—900 tonnes p.a. Roving Chopped Strand Yarn—900 tonnes p.a. Insulating Mats from Waste yarn—130 tonnes p.a.—(NU)

Mr T.S. Ganguli, 5-Lyndsey Street, Calcutta-16—(24-Parganas-West Bengal)—Continuous Filament Fibre and its derivatives—2,000 tonnes p.a.—(NU)

Ceramics

M/s Bhilai Steel Plant; Bhilai—(Bhilai-Madhya Pradesh)—Fire Clay Refractories—60,000 tonnes p.a. Silica Refractories—20,000 tonnes p.a. Basic Refractories—30,000 tonnes p.a.—(NU)

M/s Development Corpn. of Vidharbha: Mahajan Building, Ist Floor, Main Road, Nagpur-12—(Chandrapur-Maharashtra)—Fire Clay Refractories—18,000 tonnes p.a. Insulation Refractories—3,000 tonnes p.a.—(NU)

M/s Industrial Corporation of Orissa; Bhubaneshwar—(Orissa)—Carbon Refractories—10,000 tonnes p.a. Fused Grains & Blocks—10,000 tonnes p.a.—(NU)

M/s U.P. State Industrial Development Corporation Ltd; Directorate of Industries Building, 117/420, G.T. Road, Kanpur—(Mirzapur-UP)—Fireclay Refractories—25,000 tonnes p.a.—(NU)

Cement and Gypsum Products

M/s J.K. Synthetics Ltd; Kamla Tower, Kanpur—(Chittorgarh District; Rajasthan)—Portland Cement—6.72 Lakh tonnes p a.—(SE)

Change in Names of Owners/Undertakings

(Information pertains to particular licences only)

From M/s Durga Roller Flour Mills to M/s Prem Roller Flour Mills Pvt. Limited.

From Industrial Gases Ltd to Industrial Cryogenic & Chemical Plants Ltd; Calcutta.

From Karamchand Premchand Private Ltd to M/s Sarabhai Machinery, (Division of M/s Fabrequip Pvt. Ltd.).

Licences/Letters of Intent Revoked or Surrendered

(Information pertains to particular licences only)

Mr J. R. Nagarwalla, F-30, Hauz Khas Enclave, New Delhi-16—(Madhya Pradesh)—Automobile Electrical Equipment—Lapsed.

M/s Jessops & Co. Ltd; 63, Netaji Subhas Road—West Bengal)—Wagon Tipplers—Cancelled.

Government of India

5 PER CENT LOAN 1979 TO BE ISSUED AT RS. 99.50 PER CENT AND REPAYABLE AT PAR ON 16TH OF JULY 1979. 5½ PER CENT LOAN 1985 TO BE ISSUED AT RS. 99.75 PER CENT AND REPAYABLE AT PAR ON 16TH OF JULY 1985. 6 PER CENT LOAN 1998 TO BE ISSUED AT RS. 99.50 PER CENT AND REPAYABLE AT PAR ON 16TH OF JULY 1998.

Subscriptions to the above loans will be received simultaneously and will be limited to a total of Rs. 400 crores (approximately). Subscriptions may be in the form of (i) cash/cheque or (ii) Securities of the 3¾ per cent Loan 1974 which will be accepted for conversion at par. Government reserve the right to retain subscriptions upto ten per cent in excess of the notified amount.

2. If the total subscriptions received for the loans exceed the notified figure plus the amount of ten per cent retainable as aforesaid, partial allotment will be made in respect of the cash subscriptions received and the balance refunded in cash as soon as possible. Interest on the securities of 3¾ per cent Loan 1974 will be paid at the rate of 3¾ per cent per annum upto and inclusive of 15th July 1974 at the time of issue of the new securities.

3. Interest on the loans will be paid half-yearly on 16th January and 16th July. Interest on all the loans now issued together with interest on other previous Government securities and income from other approved investments will be exempt from income-tax subject to a limit of Rs. 3,000 per annum and subject to other provisions of Section 80L of the Income-tax Act, 1961. The value of the investments in the loans now issued together with the value of other previous investments in Government securities and the other investments specified in Section 5 of the Wealth Tax Act will also be exempt from the Wealth Tax upto Rs. 1,50,000/-.

4. Subscription lists will open on the 16th of July 1974 and close on 18th of July 1974 or earlier without notice.

Applications for the loans will be received at:—

(a) offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna;

(b) branches of the subsidiary banks of the State Bank of India conducting Government treasury work except at Hyderabad; and

(c) branches of the State Bank of India at other places in India.

For full particulars please apply to any of these offices or branches.

RECORDS AND STATISTICS

Wholesale Prices

THE OFFICIAL wholesale prices index for all-commodities (with the year ended march 1962 = 100) moved up by 8.0 per cent to 283.1 during March 1974 as against 274.9 for February, 1974. The position of the constituent groups was as follows: 'food article' (+1.5 per cent to 320.5), 'liquor & tobacco' (+4.2 per cent to 272.7), 'fuel, power, light and lubricants' (+21.2 per cent to 287.6), 'industrial raw material (—0.7 per cent to 323.2), 'chemicals' (+10.1 per cent to 262.0), 'machinery & transport equipment' (+8.0 per cent to 212.9) and 'manufactures' (+2.7 per cent to 233.4).

Food articles: Higher prices of all the cereals (except barley which fell) raised the sub-group index for 'cereals' by 3.6 per cent to 303.6. The sub-group index for 'pulses' went up by 2.7 per cent to 454.5 due to an increase in the prices of gram, arhar and urad. The prices of moong and masoor, however declined. Because of an advance in both the sub-groups, the index for 'foodgrains' as a whole also rose by 3.3 per cent to 331.0. Prices of onions, oranges and cashew nuts declined while those of potatoes and bananas moved up and consequently the sub-group index for 'fruits & vegetables' recorded a slight rise of 0.5 per cent to 304.3.

The sub-group index for 'milk & milk products' drifted lower by 0.8 per cent to 307.3 due to a fall in the prices of ghee. The price of milk, however, advanced. The sub-group index for 'edible oils' came down slightly by 0.1 per cent to 379.9 due to a fall in the prices of coconut oil and mustard oil notwithstanding a rise in the prices of groundnut oil, gingelly oil and vanaspati. Prices of eggs and fish fell and as a result the index for 'fish, eggs and meat' receded by 0.2 per cent to 477.3. The price of meat, however, moved up.

Lower prices of gur and khandsari brought down the sub-group index for 'sugar & allied products' by 2.4 per cent to 270.3. The prices of confectionary, however advanced. An increase of 9.9 per cent to 237.8 in the Index for 'other food articles' has been caused by an advance in the

Index Numbers of Wholesale Prices by Groups & Sub-Groups

(Base 1961-62=100)

Groups & sub-groups	March 1974	February 1974	March 1973	Percentage rise (+) or fall (—) in Mar. '74	
				Feb. '74	Mar. '73
Food Articles	320.5	315.0	251.1	+1.5	+27.6
Foodgrains	331.0	320.3	264.9	+3.3	+25.0
Cereals	303.6	293.1	248.6	+3.6	+24.6
Pulses	454.5	442.5	361.0	+2.7	+25.9
Fruits & vegetables	304.3	302.8	225.8	+0.5	+34.8
Milk & milk products	307.3	309.9	232.9	—0.8	+31.4
Edible oils	379.9	380.4	275.8	—0.1	+37.7
Fish, eggs & meat	477.3	478.3	297.7	—0.2	+60.3
Sugar & allied products	270.3	277.0	274.5	—2.4	—1.6
Others	237.8	216.4	168.7	+9.9	+41.0
Liquor & Tobacco	272.7	261.8	246.1	+4.2	+10.8
Liquor	180.7	180.7	186.6	—	—3.2
Tobacco	276.9	265.6	248.9	+4.3	+11.2
Fuel, Power, Light & Lubricants	287.6	237.3	187.5	+21.2	+53.4
Coal	190.4	190.4	188.4	—	+1.1
Coke	268.4	268.4	268.4	—	—
Mineral oils	384.9	288.3	184.0	+35.9	+109.2
Rectified spirit	306.9	306.9	272.6	—	+12.6
Electricity	162.1	162.1	161.3	—	+0.5
Castor oil	398.9	395.3	407.1	+0.9	—2.0
Industrial Raw Materials	323.2	325.5	239.6	—0.7	+34.9
Fibres	255.2	245.5	185.7	+4.0	+37.4
Oilseeds	401.6	417.1	290.0	—3.7	+38.5
Minerals	145.0	145.0	138.4	—	+4.8
Others	294.5	288.7	236.8	+2.0	+24.4
Chemicals	262.0	238.0	206.0	+10.1	+27.2
Machinery & Transport Equipment	212.9	197.1	171.1	+8.0	+24.4
Electrical machinery	193.7	188.4	171.9	+2.8	+12.7
Non-electrical machinery	245.6	219.3	182.4	+12.0	+34.6
Transport equipment	170.8	164.6	150.0	+3.8	+13.9
Manufactures	233.4	227.3	183.5	+2.7	+27.2
Intermediate Products	311.3	306.9	228.2	+1.4	+36.4
Textile yarn	232.3	232.4	198.7	—	+16.9
Leather	253.9	236.8	256.5	+7.2	—1.0
Metals	391.2	385.1	250.9	+1.6	+55.9
Linseed oil	463.5	455.2	253.3	+1.8	+83.0
Finished Products	214.4	208.0	172.6	+3.1	+24.2
Textiles	215.4	205.8	171.7	+4.7	+25.5
Metal products	256.3	255.9	203.7	+0.2	+25.8
Non-metallic products	205.1	199.1	161.5	+3.0	+27.0
Chemical products	195.1	186.4	158.1	+4.7	+23.4
Leather products (shoes)	122.1	120.0	100.1	+1.8	+22.0
Rubber products	165.6	168.2	159.3	—1.5	+4.0
Paper products	170.9	159.3	139.6	+7.3	+22.4
Oilcakes	365.4	369.3	290.5	—1.1	+25.8
Miscellaneous products	145.0	141.7	124.5	+2.3	+16.5
All Commodities	283.1	274.9	220.0	+3.0	+28.7

Source : Office of the Economic Adviser, Ministry of Industrial Development.)

prices of spices & condiments, salt and processed food.

Liquor and tobacco: The sub-group index for 'liquor' stood stationary at its earlier month's level of 180.7. The sub-group index for 'tobacco' advanced by 4.3 per cent to 276.9 owing to an increase in the prices of tobacco manufactures. The prices of raw tobacco, however, declined.

Fuel, power, light and lubricants: The sub-group indices for coal and coke remained unchanged at their previous month's levels of 190.4 and 268.4 respectively. 'Mineral oils recorded a sharp rise of 35.9 per cent to 384.9 due to enhanced prices of all the oils under this sub-group. The sub-group indices for 'rectifiee spirit' and 'electricity' stood unchanged at their earlier month's levels of 306.9 and 162.1 respectively The sub-group index for 'castor oil' witnessed a rise of 0.9 per cent to 398.9.

Industrial raw materials: Enhanced prices of raw cotton raw silk and coir fibre raised the sub-group index for 'fibres' by 4.0 per cent to 255.2. However, the prices of raw jute and mesta, hemp raw and wool raw declined. The sub-group index for 'oilseeds' drifted lower by 3.7 per cent to 401.6 due to a fall in the prices of groundnuts, linseed, rapeseed and copra although the prices of castorseed and cottonseed moved up. 'Minerals' remained unchanged at its earlier month's level of 145.0. An increase of 2.0 per cent to 294.5 in the sub-group index for 'other industrial raw materials' was brought about by an advance in the prices of raw hides, raw skins, tanning materials, lac and logs & timber,

Chemicals: The index for the 'chemicals' group recorded a substantial rise of 10.1 per cent to 262.0 owing to an increase in the prices of caustic soda, sulphuric acid, nitric acid, bleaching powder, calcium carbide, copper sulphate and carbon dioxide.

Machinery and transport equipment: The sub-group index for 'electrical machinery went up by 2.8 per cent to 193.7. 'Non-electrical machinery sub-group also rose by 12.0 per cent to 245.6 due to an increase in the prices of tools and implements, machinery, other than electric, textile stores and beltings. 'Transport equipment' moved up by 3.8 per cent to 170.8 due to an advance in the prices of vehicles and cycles.

Manufactures: This group which is comprised of (a) intermediate products and (b) 'finished products, rose by 2.7 per cent to 233.4.

(a) Intermidiate products: The sub-group index for 'textile yarn' stood at 232.3 as against 232.4 for the previous month. Prices of cotton yarn and coir yarn moved up while that of rayon yarn declined. The sub-group index for 'leather' advanced by 7,2 per cent to 253.9. 'Metals' moved up by 1.6 per cent to 391.2 due to an increase in the prisce of pig iron, zinc, copper sheets, tin and lead. However, the price of brass sheets fell. The sub-group index for 'linseed oil' advanced by 1.8 per cent to 463.5. On the whole, the index for 'intermediate products' witnessed a rise of 1.4 per cent to 311.3.

(b) Finished products: The sub-group index for 'textiles' moved up by 4.7 per cent to 215.4 due to an increase in the prices of cotton manufactures jute manufactures and silk and rayon manufactures. 'Metal products' went up slightly by 0.2 per cent to 256.3 owing to rise in the prices of aluminium utensils and cutlery & hardware. An increase of 3.0 per cent to 205.1 in the sub-group index for 'non-metalic products' was caused due to an advance in the prices of cement, bricks & tiles, glass and glass manufactures and pottery goods.

Chemical products' we higher by 4,7 per cent 195.1 owing to an increa in the prices of pain & varnishes, dyeing materia toilet requisites, essential oi and insecticides. 'Leath products' moved up by 1 per cent to 122.1.

Lower prices of rubb tyres & tubes brought dow the index for 'rubb products' by 1,5 per cen to 165.6 although the price of other rubber products ad vanced. The sub-group inde for 'paper products' rose b 7.3 per cent to 170.9. 'Oi cakes' receded by 1.1 per cen to 365.4. The sub-group inde for 'miscellaneous product advanced by 2.3 per cent t 145.0 due to an increase in th prices of plastic materials lamps & lanterns and plywoo tea chest. On the whole, th index for 'finished product recorded a rise of 3.1 pe cent to 214.4

Index Numbers of Security Prices

(Base : 1970-71=100

Week ended	1973	1974				
	June 2	May 4	May 11	May 18	May 25	June
Government and Semi-Government Securities	98.8	97.9	98.1	97.8	97.9	97
Government of India	98.4	97.2	97.4	97.1	97.2	97
State Governments	99.9	99.7	99.7	99.7	99.7	99
Semi-Government Institutions	100.7	100.7	100.8	100.7	100.7	100
Debentures	97.3	96.9	96.9	96.8	96.8	96
Preference Shares	93.8	93.6	93.5	93.5	93.5	93
Ordinary Shares	104.8	130.6	130.3	131.4	132.5	134
Tea Plantations	95.6	113.4	113.0	112.5	113.1	113
Cotton Textiles	105.8	160.4	159.6	161.8	162.7	164
Jute Textiles	102.9	175.0	173.3	170.8	171.5	171
Silk, Woollen and Rayon Textiles	121.3	150.5	150.2	151.6	153.5	157
Iron & Steel	58.4	70.6	70.0	70.2	69.6	70
Aluminium	72.1	76.2	76.0	77.1	78.3	80
Transport Equipment	87.2	102.5	103.6	102.7	102.4	103
Electrical Machinery, Apparatus, Appliances, etc.	110.3	131.4	131.4	131.9	134.1	137
Chemical Fertilisers	153.4	188.9	186.3	189.7	189.8	189
Other Basic Industrial Chemicals	112.4	131.2	131.2	132.0	132.3	133
Cement	102.2	108.5	108.5	109.1	109.2	110
Paper and Paper Products	113.7	160.1	160.0	162.5	168.2	182
Rubber and Rubber Products	93.8	134.9	132.9	134.1	137.9	138
Electricity Generation and Supply	78.3	84.3	84.1	84.2	84.3	84
Shipping	114.1	157.8	156.8	158.0	158.1	161

Source : Reserve Bank of Ind

Reserve Bank of India

(Rs lakhs)

	May 31, 1974	A week ago	A month ago	A year ago
Issue Department				
Notes held in banking department	2,287	32,98	9,46	35,97
Notes in circulation	4,461,07	6,491,52	6,420,49	5,667,88
Total notes issued	6,483,94	6,524,50	6,429,95	5,703,85
Gold coin and bullion	182,53	182,53	182,53	182,53
Foreign securities	166,74	166,74	141,74	171,65
Rupee coin	6,04	6,59	1,55	10,78
Government of India rupee securities	6,128,62	6,168,63	6,104,14	5,338,89
Banking Department				
Deposits of central govt.	50,91	53,84	54,18	52,11
Deposits of state govts.	13,84	8,15	21,44	20,11
Deposits of banks	599,73	584,26	530,79	311,64
Other deposits	372,66	366,92	349,76	78,75
Other liabilities	1,472,81	1,476,62	1,467,33	1,131,64
Total liabilities or assets	2,509,96	2,489,79	2,423,50	1,594,27
Notes and coins	22,97	33,06	9,52	36,07
Balances held abroad	602,75	625,68	591,63	211,07
Loans and Advances to:				
State governments	214,28	184,31	236,76	143,31
Scheduled commercial banks	407,38	396,00	384,45	36,78
State coop. banks	243,20	246,92	257,06	255,89
Other loans and advances	220,72	213,00	206,22	129,67
Bills Purchased and Discounted :				
Internal	267,99	258,63	278,11	13,53
Govt. treasury bills	130,94	135,87	145,88	318,77
Investments	234,08	199,11	167,43	387,49
Other assets	165,66	197,22	146,47	61,70

Scheduled Commercial Banks

(Rs lakhs)

	May 31, 1974	A week ago	A month ago	A year ago
1. Demand deposits	4,468,69	4,438,45	4,381,55	3,775,84
2. Time deposits	5,985,50	5,959,29	5,914,39	5,119,04
3. Aggregate deposits	10,454,19	10,397,74	10,295,94	8,894,87
4. Borrowings from Reserve Bank	407,38	396,00	384,45	36,78
5. Cash	274,96	278,36	258,93	241,61
6. Balance with Reserve Bank	581,84	566,72	509,55	295,70
7. Cash and balances with Reserve Bank	856,80	845,08	768,48	537,31
8. Investments in government securities	2,419,03	2,409,30	2,405,50	2,172,91
9. Advances	6,207,44	6,194,46	6,084,25	5,128,91
10. Inland bills purchased and discounted	1,112,02	1,113,50	1,079,34	890,13
11. Foreign bills purchased and discounted	391,58	396,59	390,14	256,90
12. Total bank credit	7,711,04	7,704,65	7,553,73	6,275,94
13. Percentage of :				
(7) to (3)	8 .20	8 .13	7 .46	6 .04
(8) to (3)	23 .14	23 .17	23 .36	24 .43
(12 to (3)	73 .76	74 .10	73 .37	70 .56

Source : Reserve Bank of India.

Money Supply with the Public

(Rs crores)

Week ended	1973	1974				
	May 25	April 26	May 3	May 10	May 17	May 24
Money Supply with the Public	9,786	11,159	11,156	11,233	11,300	11,260
Currency with the Public	5,857	6,553	6,603	6,683	6,712	6,649
Other Deposits with the Reserve Bank	46	38	46	45	61	48
Bank Money	3,883	4,568	4,507	4,505	4,527	4,563
Factors Affecting Money Supply (1+2+3+4—5)						
1. Net Bank Credit to Government Sector (a+b)	8,230	8,975	8,967	9,013	9,041	9,023
(*a*) Reserve Bank's net Credit to Government Sector	5,984	6,484	6,471	6,518	6,543	6,524
(*b*) Other Banks' Credit to Government Sector	2,246	2,491	2,496	2,495	24,98	2,499
2. Bank Credit to Commercial Sector (a+b)	7,719	9,347	9,420	9,376	9,483	9,561
(*a*) Reserve Bank's Credit to Commercial Sector	245	591	592	586	580	580
(*b*) Other Banks' Credit to Commercial Sector	7,474	8,756	8,828	8,790	8,903	8,981
3. Net Foreign Exchange Assets of Banking Sector	598	667	663	680	683	707
4. Government's Net Currency Liabilities to the Public	476	484	488	481	483	483
5. Non-Monetary Liabilities of Banking Sector (a+b+c)	7,237	8,314	8,382	8,317	8,390	8,514
(*a*) Time Deposits with banks	5,375	6,223	6,244	6,257	6,279	6,288
(*b*) Net Non-Monetary Liabilities of RBI	1,149	1,412	1,395	1,366	1,338	1,354
(*c*) Residual	713	679	743	694	773	872

Source : Reserve Bank of India

Consumer Price Index Numbers for Industrial Workers

Centre	1965-66	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973 Feb.	1973 Aug.	1973 Sep.	1973 Oct.	1973 Nov.	1973 Dec.	1974 Jan.	1974 Fe
					(Base : 1949=100)										
All-India	169	213	212	215	226	233..	251	259	300	301	309	315	316	321	3
					(Base: 1960=100)										
All-India	—	—	174	177	186	192	207	213	247	248	254	259	260	264	2
Ahmedabad	130	168	165	176	151	198	211	215	233	241	257	257	262	264	2
Alwaye	145	183	198	197	198	202	215	213	287	273	273	275	246	265	2
Asansol	140	168	176	187	189	194	206	207	244	244	255	256	254	258	2
Bangalore	144	172	180	183	186	194	212	222	258	275	275	273	274	280	2
Bhavnagar	132	173	176	178	186	194	217	238	265	266	277	285	289	293	2
Bombay	130	162	167	175	182	190	203	208	227	228	228	237	238	241	2
Calcutta	131	163	170	172	182	187	197	197	220	222	240	236	238	240	2
Coimbatore	132	151	147	154	163	177	189	194	211	212	214	223	226	232	2
Delhi	136	172	178	185	199	211	222	227	259	264	272	274	271	278	2
Digboi	138	198	185	180	189	188	198	202	232	230	230	242	252	249	2
Gwalior	139	191	179	184	191	197	214	222	265	258	272	275	280	290	2
Howrah	137	178	181	176	186	191	206	206	225	234	249	251	252	256	2
Hyderabad	140	167	173	185	189	195	211	220	253	247	249	249	257	257	2
Jamshedpur	136	183	171	190	183	187	202	206	249	244	254	254	259	268	2
Madras	134	151	150	160	170	182	203	211	226	224	226	231	233	238	2
Madurai	128	146	148	162	183	193	206	215	231	237	237	247	248	254	2
Monghyr	151	215	185	188	203	204	225	228	264	278	298	305	308	321	3
Mundkayam	138	173	186	191	197	199	210	209	279	269	266	274	266	271	2
Nagpur	138	164	166	176	187	192	203	206	260	261	260	279	278	275	2
Saharanpur	141	188	176	181	186	196	213	220	246	243	256	263	264	276	2
Sholapur	128	165	167	176	185	198	216	232	276	281	279	283	298	293	2

Source : Labour Bureau, Govt. of Ind

Consumer Price Index Numbers for Urban Non-Manual Employees

(Base : 1960=10

Centre	1965-66	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1972- Nov.	1973 July	1973 Aug.	1973 Sept.	1973 Oct.	1973 Nov.	1973 De
All-India	132	159	161	167	174	180	192	194	216	218	219	223	226	2
Bombay	132	153	156	162	168	172	183	184	208	202	200	202	205	2
Delhi-New Delhi	131	154	162	168	174	180	190	189	208	215	217	219	223	2
Calcutta	126	152	156	162	170	174	180	180	197	199	202	210	211	2
Madras	133	154	154	161	175	188	204	207	224	228	226	229	235	2
Hyderabad-Secunderabad	133	155	159	167	174	180	195	198	220	222	221	223	228	2
Bangalore	133	156	160	164	172	180	194	195	220	223	232	233	235	2
Lucknow	132	159	156	161	166	174	185	185	207	215	214	220	221	2
Ahmedabad	131	160	162	168	171	173	188	190	221	215	220	224	225	2
Jaipur	133	162	168	176	183	188	205	205	233	246	244	252	253	2
Patna	139	170	174	180	191	190	199	203	219	224	224	229	230	2
Srinagar	134	160	157	174	184	191	191	202	209	213	211	215	219	2
Trivandrum	131	165	168	172	178	183	198	201	225	230	228	230	241	2
Cuttack-Bhubaneswar	142	164	167	169	176	184	196	201	214	216	218	228	231	2
Bhopal	133	166	166	172	180	188	204	208	233	237	242	243	244	2
Chandigarh	129	155	165	171	178	183	194	193	209	217	219	221	221	2
Shillong	123	155	163	164	166	175	183	186	202	208	205	208	214	2

Source : C

Mrs Gandhi acts wisely

ALTHOUGH BOMBAY was reeling last week under what was described as the heaviest downpour of the century, there is unalloyed satisfaction in the country as a whole that the rains have come. It is also nforting that the ministry of Food and Agriculture has a new chief and that this nister is Mr C. Subramaniam. It must be no small relief to informed sections of blic opinion that the rather shabby manoeuvre to have him shifted to a ceremonial ice of no particular meaning has miserably failed. It would have been a serious loss leed to the effective governance of the country if the government had been deprived the presence and participation of this able and energetic policy-maker and administor. It goes to the credit of the prime minister that she countenanced at no time e motivated suggestions of certain scheming politicians that she should embarrass n with an invitation to be his and her party's nominee or candidate for the office of e-President.

Mrs Gandhi, in fact, has plainly shown her contempt for this exercise in manipulative litics by picking Mr Subramaniam to hold charge of the portfolio of Food and Agriture in addition to his responsibilities as minister for Industrial Development and ence and Technology. This, admittedly, is a temporary arrangement but it is ertheless significant since food and agriculture presently happen to be the nation's raber one priority. Moreover, although the prime minister may not delay much nger the effecting of major changes in the composition of her council of ministers, s more or less certain that Mr Subramaniam will have to look after the Food and riculture portfolio for at least two months. This is no doubt a short enough period t, situated as India's food and agricultural economy now is, even a single day is too ecious to be lost. In this sense, although Mr Subramaniam's new and additional signment may be in the nature of an *ad hoc* appointment, it is nevertheless a ostantive decision and an act of deliberate exercise of judgment on the part of e prime minister.

Within hours of his new ministerial responsibilities being notified, Mr Subramaniam s started assessing and dealing with the demands they are making on him. To begin th, he has sternly told the government of Kerala that the latter should promptly disarge its basic law-and-other responsibility of preventing striking workers from structing despatches of the badly needed fertilizers now piling up in the silos of ACT's factory in Cochin. It is indeed an outrage that the distribution of 30,000 tonnes urea should be so arbitrarily and unlawfully held up while farms and farmers across e country, including those in Kerala, are clamouring for this vital commodity.

As may be expected from his own aptitude and also his record as a former minister r Food and Agriculture, Mr Subramaniam will no doubt give attention primarily to e problem of promoting food production in the short term and also in the long run. e seems to have decided that it is absolutely necessary to involve the agriculture deartments and the district administrations in the various states directly and deeply the implementation of 'grow more food' projects and schemes. His experience has ught him that, however politically useful widely advertised conferences of chief ministers or ministers of Agriculture of the state governments convened in New Delhi and ldressed by the prime minister or her colleagues in the central cabinet may be, they nnot really do much in a practical way to secure the fulfilment of the targets which ojana Bhavan regularly proposes and every state capital equally regularly disposes. onsequently, during his first detailed discussion with the prime minister, after taking harge of the Food and Agriculture portfolio, he seems to have persuaded her of the eed for the central government initiating procedures for effective communication with e officials actually responsible for the administration of agricultural programmes own to the district level at the least.

The prime minister accordingly would be visiting some of the key agricultural states ith Mr Subramaniam in the coming weeks and addressing gatherings of the concerned tate government officials from the level of district administration upwards and discussg with them what may have to be done to help increase food production in this *kharif* eason or beyond. While the prime minister may not be able to visit all the states or this purpose, Mr Subramaniam himself intends to undertake and complete such a otal programme. His main purpose seems to be that the central government, with he effective participation of the state agriculture departments and the district administrations, should ensure as far as it is humanly and organizationally possible that the

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available farm inputs such as irrigation, fertilizers and improved seeds are efficiently distributed at the multimillion points of cultivation throughout the country. Simultaneously he is also in favour of the vigorous propagation of a campaign for extending the cultivation of food crops such as potato which, acrewise, could feed more people than cereals.

Mr Subramaniam however is under no illusion that the country's agriculture faces a critical problem in respect of fertilizers. For one thing, although the recent increase in the price of fertilizers may be justified by the rising cost of production it has become obvious that the farmers just cannot afford to use fertilizers at this high price and yet deliver wheat or other foodgrains to government agencies or the wholesale trade at the prices which have been officially specified or which may be regarded as reasonable and fair by the government or the community at large. Again, thanks partly to the fact that the nation has defaulted in its fertilizer development programme and partly to the very real global shortage of fertilizers, it has become apparent that the chances of India, among other developing countries, being able to feed its people by using enough fertilizers to boost its food production are becoming more and more remote. There is therefore an imperative need for a special international effort to promote a fertilizer pool for the benefit of developing countries facing food shortages and make available to these countries a regular and adequate flow of fertilizers at prices related to the price at which the people of these countries could afford to buy foodgrains for consumption. Ideas on this subject are beginning to take shape internationally and Mr Subramaniam seems to be one of those who believe that India owes it to itself to encourage and support its government in a policy of actively canvassing for and strengthening an international movement for this purpose under the auspices of organizations such as the FAO. The important point here is that substantial imports of fertilizers at economic prices for supplementing our country's own production will be among the decisive conditions of stability in our own food economy, particularly in the short period.

While the country has reason to be happy about Mr Subramaniam's predicable enthusiasm for the Agriculture part of his additional portfolio, it must also ask itself, perhaps with some anxiety, whether it could be equally reassured about his concern for the Food part of his new assignment. It is important certainly that everything should be done from now on to promote production in the *kharif* as well as the next *rabi* season. At important that the government's price and marketing policy for the current *rabi* wheat should be reasonably successful. As it is, withholding of grain at the farm level and also a certain amount of hoarding in the wholesale trade are threatening to discredit this policy. This no doubt implies shortsightedness on the part of both producers and middlemen but the fact remains that the state or local food administrations have so far failed to show sufficient sincerity or competence in enforcing the sanctions implicit in this wheat policy. Part of the explanation may be that the revised wheat policy was launched without its operational details having been properly worked out in advance. But this lapse or lacuna has now been largely rectified. What is still wanting, however, is the political will to proceed against and punish the big farmers or wholesale traders who may be indulging in malpractices.

So far as this political will is not abundantly in evidence, the civil supplies departments of state governments or other administrations will naturally continue to indulge merrily in their chronically corrupt ways by conspiring and colluding with strikingly demonstrated by the feeble results shown by the raids on grain godowns carried out by the Delhi administration recently. Such raids, when not organized honestly and efficiently, must obviously do more harm than good for they make it all the more attractive or even easy for the black market to flourish. It is not immediately clear that Mr Subramaniam has yet had the time or will have the inclination to give serious attention to this problem. It is to be hoped that he does not assume that it is primarily for the state governments or other local administrations to look after this aspect of the food economy. It is also to be hoped that he realizes that nothing will promote his credibility as the new administrator of the country's food and agriculture more than his making crystal clear to the officials and the public that he attaches as much importance to the marketing of foodgrains at reasonable prices in the immediate present as to the expansion of production in the coming months or over the years. It does become necessary and desirable occasionally that the policeman should use his baton to bring down the pie in the sky for the immediate consumption of the hungry.

Steel and strategy

THE STRATEGY of the union ministry of Steel and Mines for implementing new schemes aimed at increasing steel-making capacity and steel output in the current Plan period has become well-defined if the indications provided by Mr Wadud Khan, chairman of Steel Authority of India and secretary of the ministry, during his visit to the south recently, are any guide. With a severe constraint on resources and the compulsion to use them in a manner which will produce optimum results, it was apparent all the time that new large-sized conventional plants could not be brought into being even by the end of the fifth Plan and attention would have to be mainly on the modernisation and expansion of the existing plants. The Bokaro steel project will of course be completing its first and second phases of expansion in the next four or five years.

On the basis outlined by Mr Wadud Khan the capacity of the industry by 1978-79 will not be more than 14.5 million tonnes of ingots against the existing capability of 10.6 million tonnes. Only Bhilai and Bokaro will be raising their capacity to eight million tonnes from 4.2 million tonnes. The increase in capacity will thus be wholly accounted for by these two Soviet aided projects and it is scheduled that the expansion scheme of Bhilai should be completed by 1977-78 and the two stages of Bokaro by 1978-79. The qualitative content of aggregate capacity by the end of the fifth Plan will however be much better than it is now as the modernisation programme of Indian Iron and Steel Company Limited is being vigorously implemented and it is expected that the Asansol plant will be in a position to improve its operating ratio to 90 per cent and above in three years. The Tata Iron and Steel Co. is also engaged in modernising and rehabilitating old units and increasing the capacity of the coke oven batteries. The captive collieries are to be helped to increase their raising and capacity. An effort is being made to redetermine the capability of the Durgapur steel plant as it is now accepted that there are fundamental imbalances in lay out and design and it may not be possible to achieve a level of production of more than 1.2 million tonnes of ingots against its rated capacity of 1.6 million tonnes even in the best of circumstances. The Rourkela plant will have only limited expansion as it is proposed to produce an extra 65,000 tonnes of electrical grade steel besides turning out larger quantities of steel pipes for handling crude oil and other liquids.

The southern steel plants have therefo

been accorded lower priority and in the light of recent developments the Vijayanagar and Visakhapatnam steel plants may not take concrete shape until the early 80's. Even in regard to the Salem steel plant which is proposed to be vigorously implemented in an inverted manner and which will be producing mainly alloy and special steels, the outlay in the fifth Plan will be only Rs 120 crores against the earlier expectation of Rs 340 crores. The first and second phases of the scheme, which will enable the output of stainless steel on the basis of imported strips and slabs, will be completed and the balance of outlay of over Rs 220 crores will spill over into the next Plan. It has not also been made clear what the character of the integrated project will be and whether at all Salem magnetite ore will be used for producing hot metal. It has been revealed that feasibility studies are still being made for determining the suitability of the magnetite ore for establishing an integrated plant. It may not be surprising if it is decided ultimately to use richer ore from the Hospet region.

The aggregate outlay on all these projects in 1974-79 is estimated to be around Rs 2,000 crores. The Salem, Vijayanagar and Visakhapatnam plants may not be accounting for more than Rs 250 crores of this outlay leaving the balance of Rs 1,750 crores to be utilised by the existing steel plants. Even here, the modernisation schemes of TISCO and IISCO will not be requiring more than Rs 175 crores and the minor expansion of Rourkela not more than Rs 90 crores. The expansion schemes of Bokaro and Bhilai will thus be accounting for nearly Rs 1,500 crores of available resources and the success of steel planning in 1974-79 is dependent on the speed and skill in implementing these projects. The availability of financial resources may not be a serious problem as the new pricing policy adopted by the government in October last year has resulted in a metamorphic change in the financial position of the major steel plants.

The working results of TISCO for 1973-74 indicate that even with the revised prices being effective for a little over five months in the accounting period gross earnings have improved by over one-third as compared to 1972-73 in spite of a serious shortfall in production due to acute shortage of power and coal. Mr Wadud Khan is also confident that all the three units of Hindustan Steel will be reporting encouraging results for 1973-74 and it would be possible to earn fully depreciation and interest charges against a loss of over Rs 28 crores in 1972-73. The availability of resources from internal sources can be sizeable in the coming years if the operating ratio is increased to 85 per cent and above.

It is actually expected that there will be a distinct improvement in operating efficiency in 1974-75 with a better functioning of all the units. While it is not proper to be too sure about the availability of power and coal, the fact that the target of one million tonnes for the three HSL units for the first quarter of the current financial year has been achieved under difficult circumstances provides perhaps encouragement to the expectation that there will be an improvement in aggregate availability on account of the major steel plants alone by 700,000 to 800,000 tonnes of ingots. With mini-steel plants also using fully their capacity there is the prospect of larger quantities of steel being available from indigenous sources though there may still be difficulty in regard to supplies of flat products.

The year 1974-75 may thus prove to be a turning point in the history of the steel industry and it will be a great help for the balance of payments position if imports of costly steel are reduced significantly. Many will however question the improvement in the financial position of the steel units as larger earnings have been secured through higher prices and not through higher production and productivity. The industry has been afforded a good chance in 1974-75 to prove its mettle and if there could be an average operating ratio of 80 per cent and generation of internal resources of over Rs 150 crores it would be possible to secure nearly 40 per cent and even 50 per cent of the required financial resources for implementing fifth Plan schemes.

It can therefore be said that a pragmatic approach to steel planning is being adopted though under compulsion and there will not be any dearth of financial resources, on the revised basis. The shortage of steel can however be overcome only if the highest priority is accorded to the implementation of modernisation schemes and there is no let up in the execution of the expansion schemes of the Bokaro project. Even in respect of Bhilai, the first phase resulting in an increase in capacity by 700,000 tonnes to 3.2 million tonnes should be speedily executed. It should be the objective in 1975-76 to attain an average operating ratio of at least 85 per cent with an installed capacity of 10.6 million tonnes effective in all its departments. In that event, internal production can be even 9½ million tonnes against an aggregate of seven million tonnes in 1974-75 including the contribution of the mini-steel plants.

In 1976-77 there can be a further improvement in steel output if the proposed sponge iron plants take shape and the problem of scrap shortage experienced by the mini steel plants are overcome. A further big rise in steel production can be ensured only if Bhilai can make a bigger contribution and special efforts are made to remove the power bottleneck encountered by TISCO and Bokaro. Since adequate steel availability in the current Plan period will depend on the success attending the efforts to improve operating efficiency of the existing units and the implementation of the new schemes of Bokaro and Bhilai there should not be any lapses due to shortage of power and coal or transport bottlenecks. The challenge should be met if only to avoid heavy outlay on imports for bridging gaps. We cannot afford any large expenditure on imports. It will besides defeat the new objectives in view.

Eastern Economist 30 Years Ago

JULY 14, 1944

The crisis in coal production is deepening every day and, if things are allowed to drift as they have been suffered to so far, a complete collapse in the near future can hardly be avoided. And for this impending coal famine, the Government must bear the entire blame, for they hold the industry's destiny in their hands. From 28 million tons in 1940-41, coal production began its calamitous fall; the total output in Jharia coal-fields in the first quarter of 1943 fell to 7 per cent below the amount produced in the corresponding period of the previous year. The end of 1943 saw a decline of 40 to 50 per cent in coal raisings in Bihar mines which constitute 65·2 per cent of India's total coal production. And all this time government continued to be complacent and contented themselves with half-measures like permitting women labourers to work underground to relieve the shortage of labour which was caused by the migration of labour to take up work on military or C.P.W.D. schemes pulled by the prospect of better pay and less arduous work. Of late labourers have been imported in the mining areas from outside the provinces, for example from Gorakhpur, and this has led to some improvement. In the Jharia coal belt, for instance, it has been estimated that 15 to 20 per cent of the original labour shortage has been made good.

Need raw materials be so costly?

N HIS presidential address at the annual eneral meeting of the Indian Paint Asso- iation held in Calcutta last month Mr V.H. Hulme explained how official poli- ies were responsible for making raw naterials, both imported and indigenous, costlier and scarcer. Though his remarks elated mainly to the paint industry they nave a wider relevance in the present con- ext of the Indian economy. Mr Hulme aid that in about 30 years of his experi- ence in the paint industry in Britain, he nardly ever got involved in the problem of raw materials. But in India most of his time has been taken up with the pro- blems regarding the availability of raw naterials.

Mr Hulme admitted that the prices of mported raw materials had sharply in- reased due to international factors over vhich the government of India had little control. But the system of regulating im- ports and issuing licences was so defective as to cause considerable delay and diffi- ulty to industry. For example, replenish- ment licences are issued on the value of aw materials consumed in a comparable preceding period. "That only means", aid Mr Hulme, "We get considerably ess today for what we spent yesterday nd the longer it takes for our applications o go all the way along the tortuous trail vhich ends in licences and release orders, hen the less we get still". He wondered vhy industry should export its products t a loss to meet the competition from fo- eign manufacturers, if the result by way- f replenishment of raw materials, even ncluding the additional export entitlement, vas less materials than it used in the first lace.

One of the major objectives of canalis- ng the import of raw materials through he state trading agencies has been to se- ure them at competitive prices through ulk buying. But it has been the experi- nce of many industries that canalisation as not helped them to get their raw ma- erials at fair prices. The STC, the MMTC, nd other public sector agencies have of- n let down industries by their inability o provide timely supply of raw aterials at economic prices. This roblem has been discussed on several ccasions at various forums and, though some improvements have been ade here and there, canalisation, on the hole, does not seem to have worked tisfactorily. Mr Hulme rightly pointed out that the fault did not lie with the officers or with institutions like the DGTD, CCIE, STC, and MMTC but with the system. He said, "They are victims of the system and that is where we must see change. The system just doesn't work. It's not just a case of speeding it up; it has to be scrapped just as we in industry have to quickly scrap any system of ours that is slow, totally inefficient and not profitable."

The union Commerce ministry has made several attempts to simplify the procedures for issuing import licences but it seems that considerable delay continues to take place at various stages. It has been the experience of several industries that there is still scope for further simplification of procedures and expediting the issue of import licences. But Mr Hulme wanted not merely more speed in the disposal of applications but a reversal of the policy of canalisation. He said, "The answer must surely be de-canalisation. Give us the licences, without delay; the overseas suppliers' agents are in touch with us regularly, at times almost breathing down our necks, and let us open our letters of credit and import our requirements ourselves as we have done in the past and as in most countries they do today. By cutting out delay and by using our commercial experience and contacts, we can get the maximum quantities of materials for the exchange available, benefiting ourselves, our industry and the country itself. That is certainly one immediate way we in India can offset the pressures that rocketing international prices are causing".

Mr Hulme's plea for decanalisation may not find a ready response from New Delhi but the suggestion appears to have considerable merit. Our balance of payments position will continue to be under strain for a long time. Our requirements of raw materials from foreign countries will also increase steadily due to the implementation of the various development programmes. Therefore, as far as possible, red tapism should be eliminated from import policies and procedures. No matter how efficiently the state trading agencies function, it will be hardly possible for them to get themselves thoroughly acquainted with the specifications and other relevant particulars of various kinds of raw materials required by industries and arrange for their timely import at competitive prices.

The STC's import sales rose from Rs 3.40 crores in 1956-57 to Rs 159.1 crores in 1972-73 and Rs 195 crores (estimated) in 1973-74. The imports handled by the MMTC increased from Rs 24 crores in 1964-65 to Rs 294 crores (estimated) in 1973-74. Most of these imported items are consumed by export-oriented industries. In this situation, will not some competition to the public sector trading agencies be of considerable advantage to the country? It was for this reason that some prominent industrial organisations had sometimes ago suggested that selected export houses in the private sector should be entrusted with the implementation of the canalised scheme in respect of certain items. But the government of India does not seem inclined to accept this suggestion.

Mr Hulme pointed out that the price of paint in India was much higher than in Britain not because of lack of efficiency on the part of the Indian industry or the high profit it was supposed to be making but mainly because of the high cost of raw materials. For example, the cost of emulsion paint to a stockist in Britain is about Rs 15 per litre as compared to Rs 39 per litre in India. This is because of the fact that the cost of raw material, both imported and indigenous, is, on an average, at least double of what the European manufacturers have to pay.

The president of the Indian Paint Association also referred to the impact of the high import duties on the cost of production. He said, "The biggest stone hanging round our necks is the import duty charged *ad valorem* on the CIF price at rates averaging about 75 per cent. Every time the overseas suppliers' price goes up, the duty rises proportionately." He pointed out that because of factors outside the government's control, the raw material price had doubled or trebled during the past 12 months but there was no reason why double or treble the amount of duty should be collected. The levy of sales tax at high rates also adds to the cost of the product. For example, in Maharashtra the sales tax on emulsion paint is 15 per cent on the selling price.

It is, therefore, hardly surprising that the consumption of paint in India is very meagre and that generally property and equipment all over the country are ill maintained and allowed to deteriorate steadily because of the high cost of paint. Mr Hulme suggested that unnecessary hindrances and barriers should not be put in the way to prevent the industry from making the best use of the foreign exchange available. He said, "Give us our import licences quickly — in as many days as it now takes months — and leave the spending of it to the individual manufacturers —we can guarantee that the country in general and the paint consumers and manufacturers in particular will benefit". The government of India should carefully consider the significance of these suggestions and make appropriate changes in its import policies and procedures.

Trading in futures

THE 20TH annual report of the Forward Markets Commission (FMC) for 1973 highlights the fact that the commission had been concentrating its efforts on discouraging forward trading in a number of commodities or in curbing illegal forward trading. In the year under review, complete ban continued on forward trading of as many as 70 commodities while trading in non-transferable specific delivery (n.t.s.d.) contracts was banned in relation to 49 commodities. Trading in futures was allowed only in the case of five commodities, namely, jute sacking, linseed, castorseed, turmeric and pepper. Trading in transferable specific delivery contracts was permitted for Bengal Deshi cotton, raw jute and jute goods only. Thus the FMC had to deal with a very small number of markets in 1973 and most of its energies were directed towards smashing all attempts at illegal forward trading in banned commodities.

An analysis made by the commission regarding price movements of 17 commodities showed that there was substantial increase in prices in 1973 over 1972, the only exception being raw jute which registered a fall of 19 per cent. The highest increase in prices at 120.3 per cent was witnessed in the case of coconut oil. What was instructive in the study made by the FMC was that despite the general inflationary trend in prices, the fluctuations in prices from month to month were sizeable. For example, the lowest price of Bengal Deshi was Rs 309 while the highest quotation was Rs 527 (for 100 kg) indicating a fluctuation of about 70 per cent within a year.

The graphs relating to price movements of cotton, kapas, raw jute, hessian, sacking bags, groundnut and groundnut oil, cottonseed, linseed, castorseed, coconut oil and gur indicated that while the secular trend was upward, seasonal variations within a year were of no mean order pointing to the need by industry and trade of hedging against movement in prices. It is no secret that the futures markets play a positive role both for industry and trade. The manufacturers in particular have to carry stocks of both raw materials and finished goods and are under compulsion to insure themselves against possible falls in prices. For them, the futures markets provide an invaluable facility. The exporters also make use of these markets in order to safeguard themselves against fluctuations in prices. Some of these markets have acquired a commanding position in the world. For example, the jute market in Calcutta is the most dominant market in the whole world in so far as this fibre is concerned as it provides facilities for trading in futures to buyers and sellers of jute both in this country and abroad.

The ban on forward trading of many commodities has been imposed by the FMC because of the erroneous impression that it was these markets which caused excessive fluctuations in prices of commodities. The most convincing refutation of this charge is to be found in the latest report of the commission which has marshalled all the factors culminating in fluctuations in prices of commodities mentioned earlier. For example, the production of linseed during 1972-73 season was estimated at 439,000 tonnes as against 529,000 tonnes in the preceding season. It was reduced output of this oilseed which pushed up its prices, though the prices of other oilseeds in this country as well as abroad also influenced it. The FMC has through its own studies demonstrated that it is the forces of demand and supply which have by and large governed the movements in prices of linseed and other commodities.

Regarding movements in pepper prices, the FMC noted: "Pepper prices at Cochin ruled generally at higher levels till the middle of August 1973 mainly due to good demand from socialist countries. The spurt in prices in the month of July 1973 was attributed to the scramble for Indian pepper which was triggered off by the reported failure of certain Indonesian sellers to meet their commitments with the US buyers. Surely, there were many influences at work which moulded pepper prices and it would be wrong to name the futures market in pepper as the villain for all changes in prices. In fact, throughout its report, there are numerous instances wherein the FMC has conceded that what affected prices of commodities was availability or otherwise and not the operations of the futures markets.

Here are two more illustrations from the report which highlight this point. Discussing the movements in the prices of groundnut and groundnut oil, the commission has stated that spot prices of groundnut and groundnut oil had risen very high in 1973 despite the suspension of futures. States the commission: "Due to the steep fall in production of groundnut there was an acute shortage of edible oils and it was keenly felt after March 1973. As a result, spot prices of groundnut and groundnut oil soared to dizzy heights notwithstanding the suspension of futures trading including trading in n.t.s.d. contracts of groundnut oil. Spot prices of other edible oilseeds and oils also ruled at very high levels notwithstanding the ban on futures trading and trading in n.t.s.d. contracts in them."

Again while discussing the movements in the prices of cottonseed, it listed a number of factors such as paucity of stocks, increased demand for cottonseed oil and tight supply position of edible oilseeds and oils in general. The commission has recorded: "The commencement of marketing of cottonseed in the state of Gujarat, which was at full swing towards the end of February and the announcement by the government to permit use of rape/mustard seed oil in vanaspati with effect from March 1, 1973 were the factors which produced the sobering influence on prices. During the following period, the cottonseed prices showed a steadily rising trend on account of paucity of stocks, spurt in consumer demand for refined cottonseed oil, keen demand for cottonseed oil from vanaspati manufacturers, tight supply position of edible oilseeds and oils in general and the consequent sharp rise in their prices".

Mr A.S. Naik, a former chairman of the FMC, has studied monthly and weekly average ready prices of groundnut, linseed and hessian for a period of 15 years. He has come to the conclusion that the prices of these commodities were more stable around their respective seasonal mean prices during years with future trading than during years with little or no futures trading. In other words, future trading instead of causing fluctuations in prices, tended to "reduce the rates at which the trends were rising in all the three commodities".

The Enforcement Directorate of the FMC had a busy time in the year under report in curbing violations of the Forward Contracts (Regulation) Act, 195[illegible]. The obvious implication is that in some markets, clandestine forward marketing operations have been going on. Last year the FMC conducted 87 raids involving 146 firms in major trading centres. Not all of these are likely to result in convictions if past history is any guide in this behalf. The FMC has listed in its report a number of prosecutions of past years where it failed to prove the charge in the court, indicating that it had not imparted as yet the requisite training to its staff.

FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

Steel Distribution • Utilisation of Indigenous Technology • Technology Imports • Small Industry Exports

THE VIGILENCE work relating to the public sector steel plants and distribution of steel is understood to have been transferred from the union ministry of Steel and Mines to the Steel Authority of India Ltd (SAIL). Consequently, a vigilence unit has been set up in the SAIL office. It is expected to initiate soon probes into two specific areas to begin with—the reported large-scale pilferage of coking coal from the mines of the Bharat Coking Coal Limited (a subsidiary of SAIL) and the malpractices which are said to be prevalent in the allotment and distribution of steel.

The pilferage of coking coal from the BCCL mines, it is gathered, has grown to serious dimensions. The loss to the company on this account is said to be in the neighbourhood of four crores of rupees. The vigilence unit will not only look into the activities of the BCCL personnel involved in the pilferage of this essential input for steel manufacture but also the procedures governing the supply of coking coal to steel plants. Serious note is understood to have been taken of the reports about pilferage of coking coal especially in view of the fact that our coking coal reserves are not very abundant and, therefore, need to be utilised very judiciously. It is felt that if this pilferage is not checked effectively, it will negate all efforts at exploring ways and means for reducing the consumption of coking coal.

So far as the allocation and distribution of steel are concerned, the widespread prevalent malpractices have been confirmed by the recent raids on the godowns of some major steel traders in Delhi, Calcutta and Bombay. These malpractices have genesis in the wide margin between producers' prices and the prices prevailing in the market. The vigilence cell will primarily aim at suggesting measures for plugging the loopholes in the allocation and distribution procedures which are exploited by the unscrupulous traders.

Meanwhile, the union ministry of Steel and Mines is engaged in the serious consideration of the report of the committee on economy in the consumption of steel in the country. This report was submitted to the ministry early this year. The committee is stated to have come to the conclusion that sizeable economies can be effected in the use of steel for such purposes as construction of residential and office buildings, highway bridges, railway bridges, water supply installation, etc., if plain bars and rods are substituted by high tensile ribbed bars and increased resort is taken to prestressed concrete. Some modifications in the basic design parameters, assuming slightly lower factors of safety, can also help in reducing the consumption of steel in the above fields.

box-type girders

The committee has also suggested that consumption of steel can be significantly reduced in the construction of industrial structures, storage sheds, railway platforms, shelters and foot overbridges and the manufacture of railway wagons and rolling stock if increased use is made of the welded box type girders, welded fabrications, pressed sections, low-alloy steels, fibre glass, rein-forced plastics, etc. In regard to the railway track materials, the committee has recommended substitution of fish-plate joints by welding of rails, re-use of rails after reprofiling, use of prestressed concrete sleepers and development of special corrosion and wear-resistant rails.

The committee feels that although it did not go into the consumption of steel in industrial uses as this was outside its scope—the committee's terms of reference related primarily to the use of steel for construction and railway purposes—considerable scope exists for bringing down steel consumption in industrial uses.

The two other important recommendations made by the committee are :

(1) the end-uses of steel should be critically examined to find out whether the use of steel can be reduced by adopting some other measures—a pertinent instance given by the committee in this regard is resort to bulk transportation and storage which would bring down the use of steel in the manufacture of barrels.

(2) the price policy for steel should be periodically reviewed so that adjustments can be made in the prices of various categories of steel as and when necessary.

The committee has suggested that if the recommendations made by it have to be implemented effectively, the steel industry will have to take certain measures. These include :

(*i*) stepping up of the production of high tensile cold-rolled twisted bars and hot-rolled deformed bars;

(*ii*) augmenting of the production of high tensile quality wire rods for prestressed concrete;

(*iii*) manufacture of lighter sections;

(*iv*) increased manufacture of high tensile saleable and IS 2062 quality structurals and plates;

(*v*) production of parallel flanged profiles;

(*vi*) increased production of tested quality steels and curbs on production of off-grades;

(*vii*) increased production of cold formed sections;

(*viii*) increased production of corrosion and wear-resistant quality rails;

(*ix*) automatic fabrication of continuously welded beams; and

(*x*) relying more and more on continuous casting techniques in place of conventional castings.

The committee has pointed out that the present shortage of cement and inadequacy of facilities for the production of some types of steel may not allow the implementation of its recommendations immediately. It has, therefore, suggested that efforts should be made to increase the availability of cement and for installing the needed equipment in the steel plants.

In the interest of maximising the output of steel in the country, the manufacturing programmes of the integrated steel plants, the committee thinks, also need to be reviewed so that some light structural sections which can be more economically produced by the re-rollers instead of steel plants, can be off-loaded to the former from the latter. The re-rollers, however, should be asked to produce these light sections according to ISI specifications.

* *

The Department of Science and Technology has drawn up a programme for accelerating the commercial exploitation of the technologies being developed by the National Physical Laboratory, the other CSIR laboratories, the Indian Institutes of Technology and various other R & D organisations in the country.

A major step in this regard has already been taken. A new company by the name Central Electronics Limited (CEL) has been formed in the public sector, with Mr U. V. Valru as managing director, for the manufacture of professional grade ferrites—hard as well as soft—and a variety of electronics components, including ceramic capacitors, micro-wave ferrites, electronic ceramics, memory cores, colloidal silver paint and magnetic oxide for recording tapes. The technologies in regard to all these items have been developed indigenously along with those for the entertainment grade ferrites for radio and television. But whereas the entertainment grade ferrites are being manufactured by a number of units in the country the production of professional grade ferrites has not been taken up as yet since it requires rigid quality standards at every stage of production. Besides going into this field of production, the CEL proposes to step in to bridge to some extent the gap in the sophisticated technology of production. The emphasis will be on the utilisation of indigenous raw materials to the maximum possible extent.

The initial investment on this new venture in the field of utilising indigenous technology—the second one in the public sector after Electronics Corporotion of India—will be of the order of Rs 2 crores. During the fifth Plan period, however, the unit is expected to expand considerably.

Another company is proposed to be set up soon in the public sector for developing and producing sophisticated instruments. It will be known as the Instruments Development Corporation. With the establishment of this company, another major gap in our industrial development will be filled up.

Both the CEL and the Instruments Development Corporation will be breaking entirely new grounds and will not engage themselves in the jobs already being done either in the public sector or the private sector.

* *

Along with the above programme of accelerating the utilisation of the technologies being developed in the country, a technical committee under the chairmanship of Brig. B.J. Shahaney, Secretary, Technical Development, has been set up to provide for a total approach to the problems of technology and industrial development. Besides Brig. Shahaney, the committee, which will start functioning with effect from July 15, will consist of Mr Baldev Singh, Chief of the Technology Utilisation Division of CSIR; Dr S. K. Subramanyan, Joint Secretary, Department of Science and Technology; Dr. C. V. S. Ratnam, Managing Director, National Research Development Corporation; and Dr K.N. Ramaswamy, Industrial Adviser, Directorate-General of Technical Development.

The primary task of this committee will be to give technical orientation to the process of industrial development keeping in view the national needs and priorities. In cooperation with other concerned ministries/departments and agencies the committee would consider the technological aspects of proposals involving import of technology within the framework of guidelines issued from time to time, before these are sent to the Licensing Committee/Foreign Investment Board. The deliberations of the committee will centre around the problems of forecasting the type of technology needed by the country for its future requirements, availability of technology and capability within the industry, arrangements for inter-linking of the imported technologies with indigenous R & D effort and initiating expeditious action to cover the gaps in the country's technological requirements. On this basis, the committee will provide a list of items on which import of technology may be desirable. Through this interaction between the various technical departments and agencies, the committee would endeavour to provide a single technical opinion to the concerned authorities.

Where necessary, the committee would also invite representatives of industry and engineering consultancy firms for assessment of the status and requirements of technology. It will be ensured that evaluation of the applications is completed within the existing time-bound programme.

* *

A working group set up by the union government has identified recently 47 products of the small scale industrial sector which can find a good market abroad. A detailed field survey by an expert agency is proposed to be undertaken in respect of each of these items this year. The products which have been identified are:

Mechanical Engineering : (i) diesel engines — upto 10 H.P. — both vertical and horizontal; (ii) pump sets; (iii) sugarcane crushers; (iv) espresso coffee machines; (v) low price general purpose machine tools; (vi) duplicators—hand and power operated; (vii) textile machinery parts and accessories; (viii) agricultural implements, including tools; (ix) hosiery knitting machines; (x) steel conduits; (xi) sanitary iron castings, including manhole covers and pipes; (xii) hand tools; (xiii) ferrous holloware and hardware; (xiv) fire extinguishers; (xv) stainless steel cutlery; (xvi) bicycles and bicycle parts; (xvii) scientific instruments; (xviii) surgical instruments and equipment; (xix) clocks and timepieces and parts; (xx) stranded wire for telegraph posts; and (xxi) electrical transmission hardware.

Electrical and Electronic Engineering: (i) electric motors; (ii) switchgears; (iii) L.T. insulators; (iv) domestic electrical appliances; (v) M.T. furnaces; (vi) electrical light fittings and wiring accessories; (vii) electrical measuring instruments; and (xiii) radio receivers, public address equipment and components.

Chemical Engineering: (i) storage betteries and components; (ii) plastic mouldings and extrusions; (iii) vegetable and fruit preserves—canned or otherwise; (iv) paper conversions, such as icecream cups, drinking cups, tumblers, etc.; (v) rubber mouldings; (vi) agarbatties and dhoop; and (vii) bifocal blanks and lenses, microscope slides. etc.

Miscellaneous: (i) toys of all description; (ii) fasteners; (iii) pencils and ballpoint pens, including wooden-slates, lead slips, etc; (iv) spectacle frames; (v) costume jewellery, including glass beads; (vi) hosiery and knitwear; (vii) gas mantles; (viii) readymade garments; (ix) umbrella, umbrella handles, sticks and frames; (x) stationery, greeting cards, invitation cards, etc.; and (xi) leather and leather products.

Vanaspati: problems in policy-making

V. K. Agarwal

THE MANUFACTURE of vanaspati started in 1930 with two units producing only 330 tonnes. Today it is a big organised industry in the country and had been producing around 6,00,000 tonnes of vanaspati per annum before the current vanaspati crisis developed. The growing use of vanaspati, as a substitute for ghee and butter, indicates the increasing popularity of the product. Not only in India even in advanced countries such as the USA and western Europe, the consumption of refined and hydrogenated oils, commonly known as vanaspati in India, has shown a phenomenal increase in the last decade. The per capita consumption of oils and fats in India is 2.8 kg per annum against the minimum requirement of 20 kg per capita per annum recommended by the Indian Council of Medical Research. The Indian per capita consumption is far below the present level of consumption of 21 to 25 kg in the developed countries such as West Germany, the UK and the USA and 4 to 6 kg per capita per annum in the developing countries.

under utilisation

There are at present 74 vanaspati manufacturing units in the private and public sectors in the country — the three in the public sector are Ganesh Flour Mill one each in Delhi and Kanpur and the Punjab government's MARKFED unit. Due to the lack of regular supply of raw material, the vanaspati industry, as a whole, has been working less than 50 per cent of its installed capacity of 12,00,000 tonnes. The production of vanaspati, which had touched 5,94,000 tonnes during 1971-72 declined to 5,80,000 tonnes in 1972-73. The position further deteriorated in 1973-74 on account of the steep fall in production of groundnut in the country and shrinkage in the supply position of imported edible oils.

The problem of augmenting production of vanaspati up to its rated capacity basically lies in the shortage of raw materials. Any oil, which by nature is edible can be used as an ingredient in the manufacture of vanaspati. In a normal year of production nearly 20 per cent of the total output of vegetable oils is consumed by the vanaspati industry, 16 per cent by the soap industry, four per cent by paints and varnishes and the balance 60 per cent is used as liquid oil for direct consumption purposes. Indigenous annual production of vegetable oils varies between 25,00,000 and, 28,00,000 tonnes based on the oilseed production in the country. In a fluctuating world oilseeds economy, India does import edible oils like palm oil, soyabean oil and rapeseed oil as also exports castor oil, H.P.S. groundnut and lately linseed oil. The availability of edible oils in the country is made up by indigenous production plus imports minus exports either in the form of seeds or oils.

Production of oilseeds has been far from satisfactory. The production of five major oil seeds — groundnut, rape/mustard, sesame, linseed and castor-beans —which was 54,70,000 tonnes at the end of the first five-year Plan increased at an annual compound growth rate of two per cent to 65,20,000 tonnes by the end of the second five-year Plan. Due to widespread drought conditions the production fell to about 63,00,000 tonnes in the final year of the third Plan against the target of 98,20,000 tonnes. The fourth five-year Plan visualised a production target of 10,50,000 tonnes but the actual production remained far short, and is estimated at 85,00,000 tonnes in the final year of the Plan. Consequently, domestic supply of oils has grown at an agonisingly slow pace of two per cent per annum.

Apart from traditional oilseeds. India has also taken up the production of Soyabeans and sunflower seed in recent years. The combined production of soyabeans and sunflower in 1973-74 is estimated at around 3,00,000 tonnes. The contribu-

Trend in Vegetable Oils & Fats Prices

Year	Internal	International		
	Groundnut oil at Bombay (converted into US$)	Soyabean oil crude US, CIF Rotterdam	Palmoil 5% bulk CIF N.W. Europe	Tallow US bulk CIF Rotterdam
1973				
January	688	257	212	206
February	768	344	266	240
March	762	355	260	268
April	838	382	315	308
May	875	433	350	360
June	960	486	453	420
1974				
January	950	805	748	490
February	972	873	728	575
March	1018	668	728	535
April	1065	662	638	510
May	1075	823	640	490
June (2nd week)	1125	757	591	460

Source: Oil World for International Prices.

tion of sunflower seed on the vegetable oil front is likely to be significant. Production of soyabean in India was taken up for the first time in 1971-72 and that of sunflower in 1972-73.

Keeping in view the likely production in the last year of the fourth five-year Plan and potentialities for further increase in production, the task force on oilseeds has fixed a target of five major oilseeds at 112,20,000 tonnes by the end of the fifth five.year Plan. In addition, the production of soyabean and sunflower seed is likely to increase by at least four-fold. Therefore the combined production target for the seven major oilseeds in the country has been fixed at 125,00,000 tonnes for 1978-79.

statutory control

Vanaspati prices have been statutorily controlled since September, 1968. There is no control on edible oil prices, which, however, fluctuate violently from day to day. Since there is no cushion in the vanaspati price formula to absorb such fluctuations, government reviews vanaspati prices every fortnight to neutralise the cost of oil to the vanaspati industry. Before June 1974, vanaspati prices were based on oil costs of Rs 6,200 to Rs 6,400 per tonne in different zones, although the indigenous prices were 25 to 30 per cent higher.

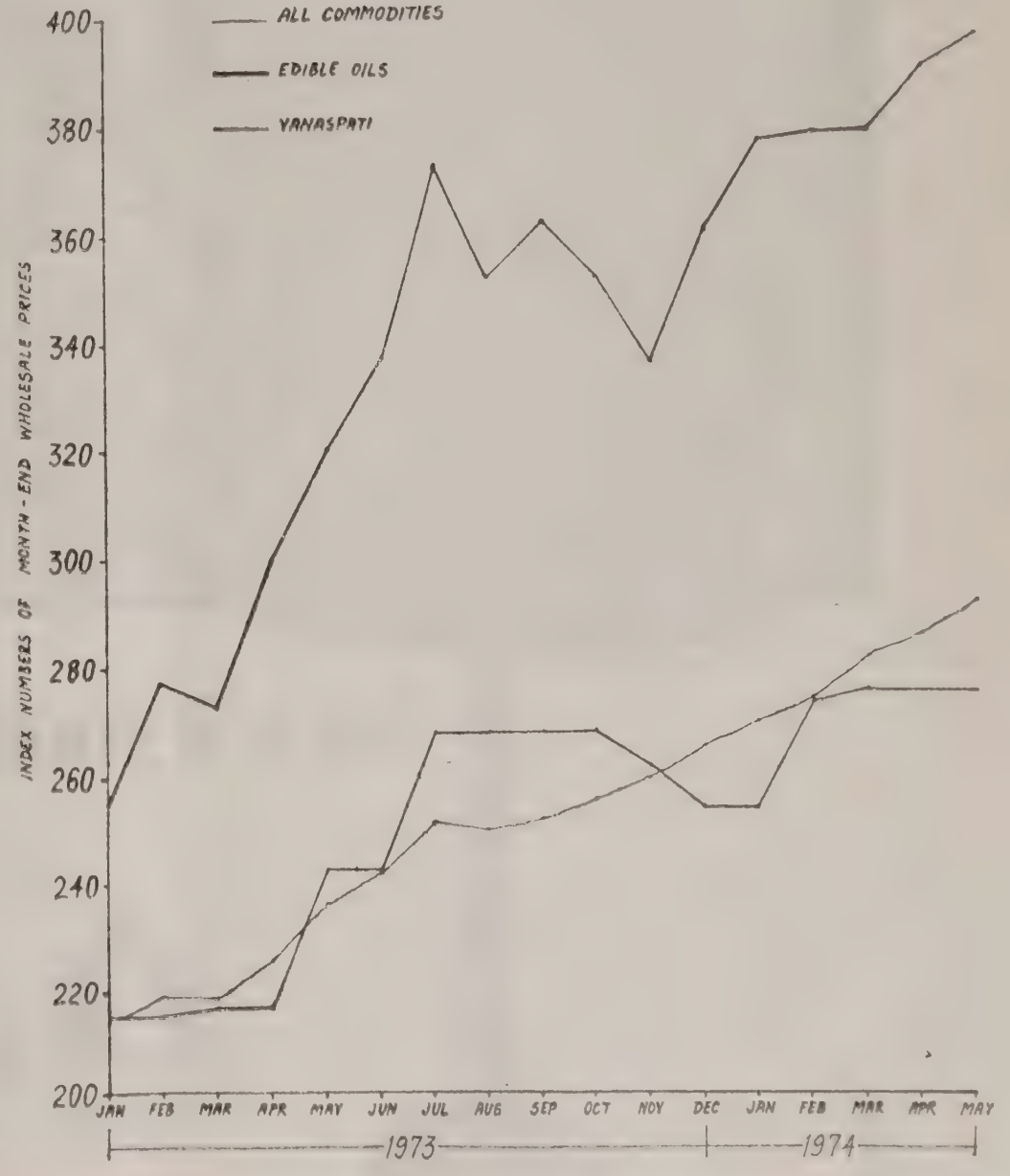
The price differences between the assumed oil costs of Rs 6,200—Rs 6,400 per tonne and the ruling internal prices were then neutralised by supplying to individual units imported oil to the tune of 35 to 40 per cent at Rs 3,500 per tonne. This price adjustment to the industry in vogue during the last several years is now withdrawn w.e.f. June 1, 1974 as the government has decided to do away with edible oil imports in view of the tight foreign exchange position and the soaring prices in the international market.

Vegetable oil prices have shown an abnormally rising trend during the last several months. The price of groundnut oil, the principal ingredient used in vanaspati manufacture, which was ruling at about Rs 5,300 pert onne in the beginning of 1973 rose to a record level of Rs 8,900 per tonne by the end of August, 1973. This was attributed mainly to low oilseeds crop in 1972-73 (November-October). However, with good weather reports and better propects for 1973-74 kharif oilseeds crop, the prices of groundnut started declining after August 1973 and fell to Rs 6,200 per tonne at the end of November, 1973. As the revised estimate for 1973-74 groundnut crop at 58,00,000 tonnes was considerably lower than the earlier estimate of 65,00,000 tonnes the prices again started rising. Poor prospects for rabi oilseeds crop, specially of rape and mustard, pushed up the prices further. Groundnut oil price touched a dizzy height of Rs 9,000 per tonne on June 12, 1974. The 1973-74 rape and mustard crop is likely to be 20 per cent lower at 15,00,000 tonnes against 18,50,000 tonnes in 1972-73. Production of five major oilseeds, however, is expected to increase by 30 per cent from 66,00,000 tonnes in 1972-73 to 85,00,000 tonnes in the current season.

Despite record oilseed crops in 1973-74 in all major producing countries of the world, the prices in international markets have been rising steeply since the beginning of 1973, and there is no indication of any pronounced reversal in this trend in the near future. This is attributed to a number of factors such as strong demand from the consumers, restricted oil supply due to lower crushing, speculation in commodities and the international currency crisis in 1973. Arab oil embargo and bunker fuel crisis hiked the shipping freight. Consequently the import price of vegetable oils has increased considerably; during the last 17 months. the landed cost has nearly doubled from Rs 3,000 to Rs 6,000 per tonne. The trend in internal and international prices of oils and fats has been shown in the table on page 50. For comparison purposes domestic internal prices quoted in rupees have been converted into US dollars.

Steep rise in internal and international prices has resulted in the closure of a number of vanaspati manufacturing units in the country because the factories are unable to purchase enough oil for maintaining production for one month which is the period required by the government for receiving and reviewing oil costs. The monthly rate of vanaspati production

GRAPH SHOWING FLUCTUATIONS IN EDIBLE OIL PRICES VIS-A-VIS VANASPATI & ALL COMMODITIES



which was 50,200 tonnes in 1972 declined to 38,800 tonnes in 1973 and further to 35,200 tonnes in the first five months of 1974.

The graph (page 51) strikingly reveals that during the last 17 months, edible oil prices the have gone up by at least 55 per cent whereas vanaspati prices, statutorily controlled, have increased by no more than 30 per cent. It must be understood that 90 per cent of the vanaspati cost is made up of edible oils. In view of the virtual stoppage of edible oil imports and rising trend in prices, the government allowed an increase of Rs 1.80 to 2.20 per kg in vanaspati prices on June 14, 1974. The vanaspati industry does not seem fully satisfied as the edible oil prices are fluctuating from day to day. Representatives of the Vanaspati Manufacturers Association feel that the increase in prices is not commensurate with the subsidy which the industry was getting through the supply of imported edible oils. The government is again in a dilemma, and the problem is not as simple as the industry takes it to be.

All that can probably be proposed as a short-term measure, is for government to think in terms of a dual pricing policy for vanaspati, as has been done in the case of another essential item, sugar. It is, therefore, proposed that 70 per cent of total vanaspati production may be distributed through fair price shops at prices fixed by the government and the balance 30 per cent sold in the open market at prices determined by the demand and supply forces. In order to compensate for changes in raw material prices, the controlled price may be linked to the index of edible oil prices, i.e. the price of vanaspati may be revised whenever the index number of edible oil changes by five points. While calculating index numbers, weights of the ingredients (edible oils) may be kept in proportion to its consumption permitted by the government for vanaspati manufacturing. The suggested dual policy would indirectly lead to increasing production of vanaspati and higher utilisation of installed capacity and would encourage the crushing of those oils which are not directly used for consumption purposes such as cottonseed oil and also that of nontraditional oils like soyabean and sunflower.

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but is it good for your suit?

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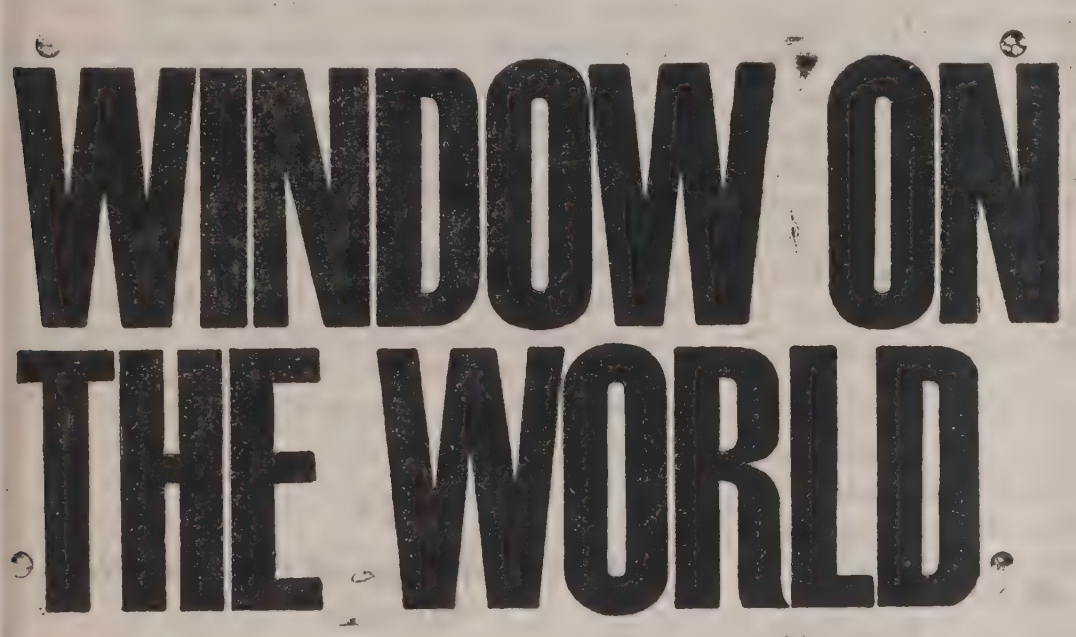
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25 years of West German history: 1949-1974

Josselyn Hennessy
London



I

Konrad Adenauer's "West Politik"

AT THE end of World War II the German people were in a state of utter exhaustion and confusion. The year 1945 marked the nadir of German history. The country was in ruins, the people in rags. Germany was divided into four zones of occupation with the territories of the Oder-Neisse under Polish administration. Altogether about 15 million refugees poured into West Germany until 1961. Berlin was split into four sectors of occupation but had, at least at the beginning, a German civil administration based on free elections in the entire city. The 1946 Berlin elections, the only east-west elections ever held, gave the Social Democrats, the Christian Democrats and the Liberals an overwhelming majority against the communists.

The Allies were in full agreement only on disarming Germany. Each of the four commanders-in-chief, who together formed the control council, exercised supreme power in his zone of occupation, issuing orders and enacting laws. This was the beginning of the subsequent separation of West and East Germany.

May 23, 1949, was the birthday of the Federal Republic of Germany. On this date the Grundgesetz (Basic Law) came into effect. Since German re-unification was expected to be achieved soon, the provisional character of the Federal Republic and of the Basic Law were emphasised.

The election of the first Bundestag (Federal Parliament) followed on August 14, 1949; it met for the first time on September 15. Following the unhappy experiences after World War I when the election system favoured splinter parties, which in turn, led to the Nazi regime, the new system encouraged a strong concentration of votes on a few large parties. In the first election, the conservatives (CDU/CSU) won 139 out of 402 seats; the Social Democrats (SPD) 131 and the liberal FDP 52 seats. The leader of the Christian Democrats (CDU), Dr Konrad Adenauer, was elected first Federal Chancellor with a narrow margin over the leader of the SPD, Dr Kurt Schumacher. Konrad Adenauer proved to be an outstanding political figure, who, in the long years of his chancellorship, towered over the political scene in Bonn. In its first years, the Federal Republic faced a great number of difficult tasks — from providing housing and integrating millions of Soviet Zone refugees into West Germany to reviving the economy and re-acquiring sovereignty.

The future course of German politics was sharply debated in the years after the war, and under the leadership of Chancellor Adenauer, the Federal Republic of Germany opted for western integration. It became a member of the West European Union (WEU), the North Atlantic Treaty Organisation (NATO), and in due course a founding member of the European Economic Community (EEC), which was preceded by the setting up of the European Community of Coal and Steel. Reconciliation between West Germany and France was a precondition for a closer integration of Europe and was an historic achievement in itself, which many regarded as Chancellor Adenauer's most important accomplishment.

While Adenauer pursued his Westpolitik, he also opened up new contacts with eastern Europe. His visit to Moscow in 1955 led to the release of 10,000 German prisoners of war and to the establishment of diplomatic relations between the two countries.

the Berlin wall

West German efforts to improve rela tions with eastern Europe came to an abrupt halt when the East German govern- ment in August, 1961, decided to build the wall in order to stop the exodus of disillusioned citizens from the so-called German Democratic Republic (which was neither democratic nor a republic but an oligopoly governed by a single party to which admission was gained by sycophancy and close vetting for ideological conformity) to the Federal Republic. Two years later US President John F. Kennedy visited Berlin and coined the much-recited slogan: "Ich bin ein Berliner" (I am a Berliner). This was seen as emphasising the close connection between the United States of America and Berlin, just as relations with the United States had been vital for the Federal Republic of Germany ever since it came into existence.

In October, 1963, Konrad Adenauer resigned as Chancellor. He was succeeded by Professor Ludwig Erhard, minister of Economics and known the world over as the man who initiated the Wirtschaftswunder (economic miracle) in the postwar Federal Republic.

As a chancellor he was less successful than as a worker of economic miracles. Under his leadership the CDU/CSU won 245 out of 496 seats in the Bundestag elections in September 1965 and Professor Erhard was re-elected Chancellor of the CDU/CSU and FDP coalition. However, only a year later the coalition ended

when the FDP members of the cabinet resigned in a budget controversy.

Even after his downfall as a chancellor, Professor Erhard was respected and admired by all West Germans of whatever party as the man who brought about the Wirtschaftswunder and as the chancellor who opened diplomatic relations with Israel.

West Germany's political answer to an economic recession in 1965 was the Grand Coalition of CDU/CSU and SPD formed on December 1, 1966. This made the small FDR the only opposition party in Parliament. Kurt George Kiesinger was elected chancellor with Willy Brandt his deputy and Foreign minister.

The two most noteworthy achievements of the Grand Coalition were: Building dams against the economic recession, mainly through the efforts of ministers Karl Schiller (SPD) and Franz Josef Strauss (CSU) and, secondly, the opening up towards eastern Europe.

II

Willy Brandt's "Ostpolitik"

In March, 1969, Dr Gustav Heinemann (SPD) was elected Federal President by the votes of the SPD an the FDP. This signalled a new coalition of Social Democrats and Liberals, who, after the general elections in the autumn of 1969, formed a coalition government in Bonn. Willy Brandt became Chancellor, Walter Scheel his deputy and Foreign minister.

Almost immediately Brandt's name was linked with the "Ostpolitik" (policy towards eastern Europe). His trusted friend Egon Bahr outlined this policy as far back as 1963 in a speech in Tytzig and later negotiated some of the treaties with the countries of east Europe.

There were three main fields of contact with the east:

— With the USSR as a super power and as one of the four powers which still had a "special responsibility" for Germany as a result of World War II;

—With the other east European countries in order to set up and to normalise relations;

—With the German Democratic Republic to establish a special relationship, to try to make it easier to live together in peace without blocking the way to eventual re-unification.

Here are some of the most important steps in Ostpolitik:

August, 1970. A treaty between West Germany and the USSR renouncing the use of force signed in Moscow. Simultaneously, West Germany presented the USSR with a "Letter on German Unity".

December, 1970. A West German-Polish agreement on the renunciation of force and the inviolability (*sic*!) of frontiers signed in Warsaw.

September, 1971. A four-power agreement on Berlin initialled by the ambassadors of France, the UK, the USA and the USSR. The agreement came into force when a final protocol was signed on June 3, 1972.

December 17, 1971. An agreement signed with the GDR on the Transit Traffic of Civilian Persons and Goods between West Germany and West Berlin.

May 26, 1972. A transport agreement with the GDR signed, coming into force on October 17, 1972, which provides a legal basis for land and water traffic between West and East Germany. This agreement also applies to West Berlin because of the Four Power Agreement on Berlin.

December 21, 1972. In East Berlin a Treaty signed on relations between West and East Germany, provides (1) Mutual recognition of each other by the two German states on the basis of a special relationship between them as two parts of one nation; (2) Agreement to renounce force; (3) Agreement to exchange special representatives; (4) Simultaneous application for the membership of the UNO; (5) Agreement on future cooperation in matters of mail, trade, culture, sport and the environment.

December 11, 1973. An Agreement with Prague to solve problems created by the Munich agreements and to open relations between the two countries.

December 21, 1973. Diplomatic relations with Hungary and Bulgaria opened.

The new approach towards the GDR aims to alleviate human relations: there have since been many contacts between relatives and friends across the border. Since the Four Power Agreement on Berlin and the Basic Treaty there have been millions of visits between East and West Germany.

Even before Chancellor Brandt launched the Ostpolitik, he made it clear that West Germany's alliance with its partners in Europe and in NATO was the basis of his policy. At an EEC Summit Conference at the Hague in September, 1969, he broadened this basis by urging the extension of the EEC to include the UK, Ireland, Denmark and Norway. Brandt continued to play a leading role in West European politics, calling for a political union.

III

West Germany Enters the United Nations

Chancellor Brandt was awarded the Nobel Peace Prize in 1971 for his efforts to strengthen peace in Europe. In 1973 he was the first West German Chancellor to address the UN Assembly in New York. On September 18, 1973, West and East Germany were received in the UNO.

In his speech Chancellor Brandt said: "We are no strangers here. The Federal German Republic has long participated in the work of the special agencies... We shall seek to create a state of peace in Europe in which the German people can regain their unity in free self-determination... In a world in which we are all increasingly dependent on each other, a policy for peace must not stop on our own doorstep... The world is undergoing rapid change. Conflicts can (as shown by existing terrorisms, which either do not want to use or are incapable of using political means) have unforeseeable consequences because highly developed societies are so vulnerable... Man's ability to use his reason has made the UNO possible. His propensity to be irrational makes it necessary. On the road to world citizenship we must practise solidarity. We shall not be able to speak of a world order until the principle of justice is universally accepted."

IV

The Psychology of the German "Miracle"

Twenty years ago Europe began to acknowledge the German "Miracle" with its hard currency DM, multiplying millionaires, luxury Mercedes cars and other trimmings. It is, I venture to point out that in so many so-called "progressive" countries people object to millionaires. In my naive way, I would have thought that all countries would like to see the number of millionaires increasing until everyone is a millionaire. I cannot quite understand why, on the contrary, "progressive" countries want to eliminate millionaires and to have everyone on the same "egalitarian" average wage level. However that may be, many people still wonder how the miracle was achieved in a country which in

1945 lay in ruins and where industrial production was at a standstill.

The miracle recipe is complex but here are some of the ingredients that in the course of annual study tours in the 1950s and 1960s I observed:

resolute determination

The resolute determination of the dynamic Minister of Economics, Ludwig Erhard, to give freedom of action to entrepreneurs and workers and enforce competition in the Social Market Economy, and, in 1948, to launch the currency reform; the determination of the German workers, many of them refugees from the East, to carve out a decent, comfortable living for their families; Marshall Aid from the USA to give the spark to set the West German economy in motion; together with the help and understanding shown by the nations of western Europe as a whole to help Germany to her feet in strong contrast to the puntive attitudes that they showed after World War I.

West Germany today ranks second only to the USA in world trade and has attracted more than 3,000,000 workers and their families from Turkey, Yugoslavia, Italy and elsewhere. In the oil crisis in late 1973, however, it became evident that West Germany, as a highly industrialised nation, is every bit as vulnerable as the UK to shortages of oil and raw materials, particularly in the automobile and chemical industries.

German Economy

(In thousands)

	1950	1960	1972
Economically active persons	20,000	26,247	26,463
Unemployed	1,580	271	246
Foreign labour	0	276	2,284

After the economic miracle and the women's liberation miracle, an even more miraculous *Wunder* is now happening in the Federal Republic of Germany; the Germans, hitherto supposed to be subject to rigid discipline are becoming as pragmatic as the British!

The postwar period is over and in the post-postwar period the West Germans no longer insist on total and complete perfection. They no longer consider it a matter of principle whether to get out of bed in the morning right or left foot first. The military goose-step is out and the West Germans are taking things peacefully in their stride — the energy crisis has even compelled them to leave their beloved motor car in the garage for some Sundays.

When addressing the United Nations General Assembly on September 26, 1973, Chancellor Willy Brandt even suggested that the Germans are now deliberately trying to do two things at the same time: "I speak to you as a German and as a European", he said. "To be more exact: my people live in two states but they have not ceased to regard themselves as one nation. At the same time, our part of Europe is at yet not much more than an economic community, but, before the end of this decade, it will grow into a European Union".

Even with Willy Brandt taking the lead on the road to pragmatism, the new German Wunder story is difficult to explain since it clashes with many well-established cliches about Germany and the Germans: Obsolete cliches to the contrary, West Germany today is one of the least militaristic countries. West German recruits boast that they do not salute their officers when not on duty and they form themselves into military trade unions, (That being so, I ask myself: To what extent the West German army is of any use to NATO in resistance to potential Soviet attack?)

The West German public relations agency jokingly quotes the quip that if you meet any hardworking people in the Federal Republic of Germany these days, they must be foreign workers!

V

What is Mitbestimmung?

The most distinctive feature of industrial relations in West Germany is co-determination. Worker participation has a long tradition in Germany. The first Works Council Act was passed in 1920, and at the same time also the first workers' representatives appeared on German company boards.

Today in private industry worker participation operates at two distinct levels — on the shop floor and at board level. The aim is to give workers at all levels of their company a share in making economic, social and industrial decisions and thus to establish democratic control and management of the economy.

In all enterprises organised as joint stock companies (except coal, iron and steel companies) shareholders make up two-thirds and employees' delegates one-third of the supervisory board. At least two of the employees' delegates must come from within the company, and all must be proposed by the employees and their representatives in the works council.

The works council is the most important organ of Mitbestimmung at the shop level. Under the Works Constitution Act 1972, a works council has to be elected in every undertaking in private industry with more than five workers. The works council determines questions of salary and wage structures, of working hours and holiday schedules. It has to be consulted on all personal matters and grievance disputes. Hiring, firing and promotion, allocation of work, transfers, and regrouping — all need the advance consent of the works' council. In matters affecting the actual conduct of the business the powers of the works councils are more limited.

workers' participation

In establishments employing more than 100 workers an economic committee composed of between four and eight members appointed by the works council must be set up. If there is deadlock between employer and works council, either side can bring the case before a joint arbitration committee.

Special rules apply to the coal and steel industries. Here the Codetermination Act of 1951 stipulates equal representation of shareholders and workers on the supervisory board. All boards contain an uneven number of members: eleven, fifteen or twentyone. Thus, in a supervisory board of eleven members, five are appointed by the shareholders and five by the workers. The eleventh member — known as the "neutral man" — is co-opted by the two sides of the supervisory board.

In the coal and steel industries, the workers are also represented on the board of management by an elected "Labour Director". He has the same responsibilities as the other executive directors and is usually entrusted with questions of wage, personnel and welfare.

For years, the DGB labour unions and the Social Democrats have pressed for this kind of "parity co-determination" to be extended to all large companies. Early in 1974, a comprehensive plan to give workers an equal voice in industry was agreed in Bonn after five years of negotiation between the two partners in the government coalition, the Social Democrats and the Free Democrats. The pattern has been taken from the coal and steel industry and, suitably adapted, will — if and when passed by the Bundestag —

apply to all firms with more than 2,000 employees.

VI

Co-determination—Ideology and Reality

The West German public relations agency publicises these points about *Mitbestimmung* as illustrative of West Germany's rejection of the authoritarianism and militarism that anti-German propagandists associate with Germany. On this I offer two comments : (1) It has been my observation from the many economic study tours that I have made in West Germany that much of this "Co-determination" is window-dressing and that, in fact, the workers' delegates on the councils mostly "go along with" decisions of the executive management, and that this has enabled the productivity of West German industry to continue its spectacular rise to the benefit of the economy as a whole, as of shareholders and workers.

It remains true, nevertheless, that as prosperity has risen the workers' delegates tend to assert themselves more and more in favour of a greater diversion of the cake to the workers. This, within realistic moderation, can do no harm. The trouble is that the more cake the worker gets the more his appetite for it grows and the less is his "realistic moderation". Sooner or latter co-determination will introduce rigidities into the West German economy which will destroy the remnants of the "miracle" and inflict West Germany with the "British sickness", which is a euphemism for total disregard of the basic need to multiply the profits of individual companies if the wealth of the individual member of the labour force is to be multiplied.

When I visited West Germany in the 1960s, the leaders of business and the trade unions boasted of the number of postwar millionaires, reasonnably arguing that what a country needed was millionaires in ever increasing numbers, with the ultimate goal that the majority of the population should be millionaires. Today West Germany is being infiltrated with the British trades union idea that millionaires are anti-social beings who should be taxed out of existence. So be it—if you want a stagnant economy.

Australia's foreign policy: practising what it preaches

ALTHOUGH THE closely contested federal elections held in Australia recently revolved mainly around the issue of domestic inflation, one of the major challenges to the Whitlam government also came from those who sharply disagreed with its foreign policy in many important respects. It is therefore but natural that on the Labour party being returned to power, the minister for Foreign Affairs (Senator Willesee) should have re-stated the principles that would continue to guide the new Whitlam government's foreign policy. Addressing the National Conference of the Australian Institute of International Affairs in Adelaide last month, the minister re-affirmed the government's opposition to segregation or discrimination on the grounds of colour, race, sex, creed or politics. He said that this was an issue on which no compromise was possible. He declared that his government remained convinced also that Australia had a duty to share its wealth with other less fortunate peoples in such a way as to promote their economic and social betterment and in turn a general advancement towards a world fit to live in.

While emphasizing the need to develop what might be called a system of collective economic security over the remaining years of the decade of the seventies, Senator Willesee expressed the view that development assistance for its own sake might not provide long-term solutions. It was therefore important that there should be a re-appraisal and re-orientation of concepts of development aid. This meant, in his view, the fact that Australian development aid policies should reflect the fact that the developing countries desire to focus primary attention on the question of terms of trade and the working out of a system which would provide for a more equitable relationsip between what they could get for their raw materials and other resources and what they had to pay for manufactured imports. He indicated that the principal task for Australia's foreign policy in the seventies would be to work for the kind of machinery which would lead to an acceptable restructuring of the world economic order perhaps in terms of marrying development aid policies to international trade and financial reforms. He indicated that the Australian economy for its part was well placed both to make some concessions and to gain benefits from a new balance between the prices of raw materials and manufactured goods.

Australia's minister for Foreign Affairs confirmed his government's intention to continue to participate in the working out of international regimes in areas which were vital to the prosperity and peace of the international community. The Law of the Sea, outer space, avoidance of the proliferation of nuclear weapons and the creation of zones of peace would be among such areas of international effort and co-operation in which the Australian government would be greatly interested. In an interesting reference to the Indian nuclear explosion the minister said that the atmosphere of world-wide concern following this event had given the nations of the world a new opportunity to work for the strengthening of the structure of the Nuclear Non-Proliferation Treaty. Australia's own attitude, he said, was that all nuclear explosions, including those held for peaceful purposes should take place within the framework of internationally agreed controls and not as a result of a unilateral decision by a particular power without regard to the interests and views of others. Finally, Senator Willesee stated that Australia must be alert to issues of human rights in whatever context they arose and said that only vigilance of this kind on the part of the members of the international community could help eliminate racism and affirmed that the willingness of countries to take what action they could — sometimes in unconventional ways but more often orthodox and private —to make clear their general views on this question had certainly helped to speed up wholesome developments such as those recently witnessed in Portugal.

An illustration of Canberra's ideas on foreign policy or Australian economic cooperation with developing countries, particularly these in the pacific region could be the agreement for Australian assistance for further development of the two cattle breeding farms at Hissar

(Haryana) and Barpeta (Assam), which was signed in New Delhi last week. Two deep frozen. semen centres would also be established at Hissar and Gauhati under the agreement.

The Australian government would provide 600 Jersey cows and 60 bulls for the establishment of the pure-bred herd of Jersey/Friesian cattle at Hissar and Barpeta. Out of the number, 20 bulls will be for the deep frozen semen centre, Gauhati.

Such machinery and equipment which are not available in India will also be supplied for the two projects under the agreement. The Australian government will also provide necessary expertise for these two projects and render assistance in the training programme for technical personnel, extension workers and farmers engaged in the breeding and management of exotic and cross-bred cattle. Training facilities will also be provided in Australia for the Indian staff of the two projects.

The total Australian contribution would come to approximately Rs 16,000,000.

The required land, local staff and such machinery and equipment which are obtainable within the country would be provided by the government of India. It will also arrange for indigenous cattle required for cross-breeding. Expenses like payment of customs duty and transportation charges within the country would also be met by India. The Indian contribution for the two projects which are of six years' duration will come to Rs 380,00,000.

Two separate boards of management comprising a representative each of the government of India, Australian High Commission and the state government concerned will look after the projects.

The two projects aim at increasing the milk production through cross-bred stock. The projects would also help to provide foundation stock for the production of progeny tested bulls for pure and cross-breeding programme for cattle development. The assistance is under the aegis of Colombo Plan.

Australia has provided assistance to the Central Arid Zone Research Institute, Jodhpur, and cattle for various development programmes in the country. Assistance was also received from Australia for the establishment of the central sheep breeding farm at Hissar, which was launched in 1969 under a seven-year agreement concluded between the governments of Australia and India.

Incidentally, the Swiss and West German governments have also been assisting India in cattle-breeding and live-stock improvement projects.

World monetary relations: on the road to reform

THE COMMITTEE of 20, at its sixth and final meeting held in Washington on June 12 and 13, agreed on a framework for a proposed reformed monetary system as well as on interim measures to serve during an evolution to the new arrangements. The final communique issued by this Committee as well as its detailed statement of immediate steps to assist the functioning of the international monetary system are reproduced here. The text of four IMF press releases describing the decisions taken by the Executive Board of the Fund in this context have also been included, as also the communique of the Inter-governmental Group of 24, expressing the views of the developing countries.

The Committee of 20 also agreed that its Chairman should send a final report to the Fund's Governors with an outline of reform, which, with its annexures, is published in the section "Records and Statistics" elsewhere in this issue.

Following is the text of a communique of the Committee of 20 issued on June, 13 :

1. The Committee of the Board of Governors of the International Monetary Fund on Reform of the International Monetary System and Related Issues the (Committee of 20) held its sixth and final meeting in Washington on June 12-13, 1974, under the chairmanship of Mr. Ali Wardhana, minister of Finance of Indonesia. Mr. H. Johannes Witteveen, Managing Director of the Fund, took part in the meeting which was also attended by Mr Gamani Corea, Secretary-General of the United Nations Committee on Trade and Development, Mr Frederic Boyer de la Giroday, Director of Monetary Affairs of the European Economic Community, Mr Rene Larre, General Manager of the Bank for International Settlements, Mr Emile van Lennep, Secretary-General of the Organization for Economic Co-operation and Development, Mr Oliver Long, Director-General of the General Agreement on Tariffs and Trade (GATT), and Sir Denis Rickett, Vice-President of the International Bank for Reconstruction and Development.

2. The Committee concluded its work on international monetary reform; agreed on a programme of immediate action; and reviewed the major problems arising from the current international monetary situation.

3. The programme of immediate action is as follows :

(*a*) Establishment of an Interim Committee of the Board of Governors of the Fund with an advisory role, pending establishment by an amendment of the Articles of Agreement of a Council with such decision-making powers as are conferred on it.

(*b*) Strengthening of Fund procedures for close international consultation and surveillance of the adjustment process.

(*c*) Establishment of guidelines for the management of floating exchange rates.

(*d*) Establishment of a facility in the Fund to assist members in meeting the initial impact of the increase in oil import costs.

(*e*) Provision for countries to pledge themselves on a voluntary basis not to introduce or intensify trade or other current account measures for balance of payments purposes without a finding by the Fund that there is balance of payments justification for such measures.

(*f*) Improvement of procedures in the Fund for management of global liquidity.

(*g*) Further international study in the Fund of arrangements for gold in the light of the agreed objectives of reform,

(*h*) Adoption for an interim period of

a method of valuation of the SDR based on a basket of currencies and of an initial interest rate on the SDR of five per cent.

(*i*) Early formulation and adoption of an extended Fund facility under which developing countries would receive longer-term balance of payments finance.

(*j*) Reconsideration by the Interim Committee, simultaneously with the preparation by the Executive Board of draft amendments of the Articles of Agreement, of the possibility and modalities of establishing a link between development assistance and SDR allocation.

(*k*) Establishment of a joint Ministerial Committee of the Fund and World Bank to carry forward the study of the broad question of the transfer of real resources to developing countries and to recommend measures.

(*l*) Preparation by the Executive Board of draft amendments of the Articles of Agreement for further examination by the Interim Committee and for possible recommendation at an appropriate time to the Board of Governors.

accelerating inflation

4. Members of the Committee expressed their serious concern at the acceleration of inflation in many countries. They agreed on the urgent need for stronger action to combat inflation, so as to avoid the grave social, economic and financial problems that would otherwise arise. They recognized that, while international monetary arrangements can help to contain this problem, the main responsibility for avoiding inflation rests with national governments. They affirmed their determination to adopt appropriate fiscal, monetary, and other policies to this end. In the discussion Members of the Committee urged that the multilateral trade negotiations in the framework of GATT should continue to be regarded as a matter of priority.

5. The Committee noted that, as a result of inflation, the energy situation, and other unsettled conditions, many countries are experiencing large current account deficits that need to be financed. The Committee recognized that sustained cooperation would be needed to ensure appropriate financing without endangering the smooth functioning of private financial markets and to avert the danger of adjustment action that merely shifts the problem to other countries. Particular attention was drawn to the pressing difficulties of the most severely affected developing countries. Members of the Committee therefore strongly emphasized their request to all countries with available resources and to development finance institutions to make every effort to increase the flow of financial assistance on concessionary terms to these countries.

6. In concluding its work on international monetary reform, the Committee agreed to transmit a final Report on its work, together with an Outline of Reform, to the Board of Governors.

Immediate Steps Detailed

The committee recognizes that it will be some time before a reformed system can be finally agreed and fully implemented. It therefore proposes that, in the interim period, the Fund and member countries should pursue the general ob-

SDR Valued by 16 Countries

The Executive Directors of the Fund have adopted decisions establishing a new method of valuing the special drawing right (SDR) in terms of currencies, a higher interest of the SDR, and new rates of remuneration and charges in the Fund's General Account. During its meeting in Rome January 17-18, 1974 the Committee of the Board of Governors of the International Monetary Fund on Reform of the International Monetary System and Related Issues (Committee of 20) agreed that, for an interim period and without prejudice to the method of valuation to be adopted in the reformed system, it would be appropriate to base the valuation of the SDR on a "basket" of currencies. The Committee of 20 invited the Fund's Executive Directors to work urgently on the composition of a basket of currencies, the effective interest rate, and other outstanding questions, with a view to early adoption by the Fund of this method of valuation.

The Executive Directors have adopted a decision to give effect to the standard basket system of valuation for the interim period prior to amendment of the Fund's Articles of Agreement. The amended rules provide that, for the purpose of determining the exchange rate in terms of special drawing rights for a currency, one SDR will be set equal to a basket of currencies of the following composition in per cent:

United States	33
Germany	12.5
United Kingdom	9
France	7.5
Japan	7.5
Canada	6
Italy	6
Netherlands	4.5
Belgium	3.5
Sweden	2.5
Australia	1.5
Spain	1.5
Norway	1.5
Denmark	1.5
Austria	1
South Africa	1
	100

The currencies included in the SDR basket are those of the 16 countries that had a share in world exports of goods and services in excess of 1 per cent on average over the 5-year period 1968-72. The relative weights for these currencies were set broadly proportionate to the share of these countries in international transactions, using as proxy for this purpose average exports of goods and services in the period 1968-72. but modified, particularly, with respect to the United States, in recogaition that the proxy does not necessarily provided an adequate measure of a currency's real weight in the world economy in all cases. Accordingly, the US dollar was assigned the weight of 33 per cent of the basket. The Fund will collect exchange rates of the basket currencies daily in order to calculate a daily rate of the SDR in terms of each of the 16 currencies.

The Executive Directors have adopted a decision establishing the rate of interest on the SDR at 5 per cent per annum. The interest rate on the SDR will be the same as the basic rate of remuneration on super gold tranche positions. Both rates, after an initial period of 6 months, will be subject to adjustment in relation to a weighted average of short-term market interest rates in the United States, the United Kingdom, Germany, France, and Japan. If the combined market rate is below 9 per cent, the rates will be reduced below 5 per cent by three fifths of the difference between the combined market rate and 9 per cent. If the combined market rate is above 11 per cent, the rates will be increased above 5 per cent by three fifths of the difference between the combin ed market rate and 11 per cent.

However, for the time being in order to bring the Fund's income and expenditure into balance without raising the Funds' charges to undersirably high levels, it has been agreed that for the next 2 years, a lower rate of remuneration will be paid on the segment corresponding to the Fund's holdings of currency between 75 and 50 per cent of quotas. During any periods when the basic rate of remuneration is above 3¼ per cent, the lower rate will be 2½ per cent or half the basic rate of remuneration, whichever is the higher. Moreover, the lower rate will be increased to the extent that the Fund's net income permits. The provisions in this paragraph will be reviewed after 2 years and will lapse in the absence of a further decision.

Before this decision, the rate of interest on the SDR and the rate of remuneration had been 1½ per cent. These two rates are closely linked under Article XXVI, Section 3, of the Fund's Articles of Agreement which provides that the SDR interest rate "shall not be greater than two per cent or the rate of remuneration, whichever is higher, or smaller than one per cent or the rate of remuneration, whichever is lower."

The Executive Directors have also adopted a decision establishing a revised schedule of charges on use of the Fund's resources. The revised charges, except those resulting from purchases, under the oil facility, range from 4 per cent on amounts outstanding up to one year, to 6 per cent for amounts outstanding from four to five years.

— Press Release No : 74/29, June 13.

jectives set out in paragraph 1 of the Outline and should observe, so far as they are applicable, the principles contained in Part I of the Outline. It further proposes that a number of steps should be taken immediately to begin an evolutionary process of reform and to help meet the current problems facing both developed and developing countries, and calls upon members to collaborate with the Fund and with each other to give effect to those proposals as set out below.

decision making powers

2. The Committee recommends the establishment of an Interim Committee of the Board of Governors on the International Monetary System, with an advisory role in those areas in which the Council referred to in paragraph 31 of the Outline will have decision-making powers, namely, in supervising the management and adaptation of the monetary system overseeing the continuing operation of the adjustment process, and dealing with sudden disturbances which might threaten the system. It notes that the Executive Directors are accordingly preparing for adoption by the Board of Governors a Resolution to establish the Interim Committee. It is envisaged that the new Committee will hold its first meeting at the time of the annual meeting in September.

3. The Committee recognizes that in the interim period, with significant changes in prospect for the world balance of payments structure, there is a need for close international consultation and surveillance of the adjustment process. It recommends that countries should be guided in their adjustment action by the general principles set out in paragraph 4 of the Outline. It calls upon members to cooperate with one another and with international institutions, during the current period of exceptional and widespread payments imbalances, to find orderly means to deal with these imbalances without adopting policies that would aggravate the problems of other countries, and to promote equilibrating capital flows; in this connection the Committee has endorsed the immediate establishment of a facility in the Fund to assist members in meeting the initial impact of the increase in oil import costs. The Committee calls upon the Fund to exercise surveillance of the adjustment process through the Council (or, for the time being, the Interim Committee of the Board of Governors) and the Executive Directors, on the lines of the procedures set out in paragraphs 5-10 of the Outline, and subject for the time being to the following provisos, namely that :

(*a*) the Fund will seek to gain further experience in the use of objective indicators, including reserve indicators, on an experimental basis, as an aid in assessing the need for adjustment, but will not use such indicators to establish any presumptive or automatic application of pressures;

(*b*) determination of what is a disproportionate movement in reserves will be made in the light of the broad objectives of member countries for the development of their reserves over a period ahead, as discussed with the Fund; and

(*c*) the pressures which may be applied to countries in large and persistent imbalance will continue to be those at present available to the Fund.

4. The Committee stresses that, during the interim period, exchange rates will continue to be a matter for international concern and consultation and attaches particular importance to the avoidance of competitive depreciation or undervaluation. The Committee notes with satisfaction that in accordance with its recommendation the Executive Directors are adopting a decision on guidelines for the management of floating exchange rates during the present period of widespread floating.

cooperative action

5. The Committee recommends that, during the interim period, countries should be guided by the principles set out in paragraphs 14-17 of the Outline in relation to controls and to cooperative action to limit disequilibrating capital flows. The Committee attaches particular importance to the avoidance of the escalation of restrictions on trade and payments for balance of payments purposes during the interim period. The Committee invites members to subscribe on a voluntary basis to the Declaration concerning trade and other current account measures for balance of payments purposes attached to this statement. The Committee invites the Executive Directors to establish the necessary procedures in connection with the Declaration, and to make arrangements for continuing close coordination with the GATT.

6. (*a*) The Committee calls upon members to cooperate with the Fund during the interim period in seeking to promote the principle of better management of global liquidity as set out in paragraph 2(d) of the Outline. It recommends that the Fund should assess global reserves and take decisions on the allocation and cancellation of SDRs in accordance with paragraph 25 the Outline, and should periodica review the aggregate volume of offi currency holdings in accordance w paragraph 19 of the Outline and, if t are judged to show an excessive increa should consider with the countries c cerned what steps might be taken to sec an orderly reduction.

(*b*) The Committee further reco mends that the Fund should give c sideration to substitution arrangemen

(*c*) Finally, the Committee reco mends that there should be further ternational study in the Fund of arran ments for gold in the light of the agre objectives of reform.

valuation of the SDR

7. The Committee notes with sat faction that, following its recommend tion concerning the interim valuation a interest rate of the SDR, the Executi Directors are adopting decisions on th questions.

8. The Committee recognizes the serio difficulties that are facing many develo ing countries, and agrees that their nee for financial resources will be greatly creased. It urges all members with ava able resources to make every effort supply these needs on appropriate tern To this end it calls upon countries wi available resources and upon developme finance institutions to make arrangemer to increase the flow of concessiona funds, and to give consideration to vario measures including the redistribution aid effort in favour of countries in greate need, interest subsidies, and short-te debt relief on official loans in the speci case of countries without access to fina cial markets. The Committee urges t Executive Board to proceed to an ear formulation and adoption of a new facili in the Fund under which developing cou tries would receive longer-term balan of payments finance. The Committee not unanimous on the question of esta lishing link between development assi tance and SDR allocation. The Comm tee is agreed that the Interim Committ should reconsider, simultaneously wi the preparation by the Executive Board draft amendments of the Articles of Agre ment, which it is envisaged would presented for the approval of the Boa of Governors by February 1975, t possibility and modalities of establishi such a link.

9. The Committee recommends the e tablishment of a joint Ministerial Comm

be of the Fund and World Bank to carry orward the study of the broad question f the transfer of real resources to develoing countries, and to recommend measures to be adopted in order to implement ts conclusions. It invites the Managing Director to discuss with the President of he World Bank the preparation of appropriate parallel draft resolutions on the establishment of such a joint Ministerial Committee for adoption by the respective Boards of Governors. It recommends that the joint Ministerial Committee should also give urgent attention to the problems of the developing countries most seriously affected by exceptional balance of payments difficulties in the current situation, bearing in mind the need for coordination with other international bodies, and that preparatory work on this aspect should be started immediately, in advance of the establishment of the Committee.

general review of quotas

10. The Committee notes that work has started on the current general review of Fund quotas and urges the Executive Directors to complete their work as soon as possible, bearing in mind the general purposes of the reform.

11. The Committee has asked the Executive Board to prepare draft amendments of the Articles of Agreement, as needed to give effect to Part II of the Outline or as otherwise desired, for further examination by the Interim Committee, and for possible recommendation at an appropriate time to the Board of Governors. In particular, draft amendments, should be prepared on the following proposals :

(*a*) to establish the Council referred to in paragraph 31 of the Outline;

(*b*) to enable the Fund to legalize the position of countries with floating rates during the interim period;

(*c*) to give permanent force to the voluntary pledge described in paragraph 5 above concerning trade or other current account measures for balance of payments purposes;

(*d*) to authorize the Fund to establish, as and when agreed, a Substitution Account;

(*e*) to amend the present provisions concerning gold;

(*f*) to authorize the Fund to implement a link between development assistance and SDR allocation; and

(*g*) to introduce improvements in the General Account and in the characteristics of and rules governing the use of the SDR, as well as any other consequential amendments.

It is envisaged that such draft amendments, if agreed, would be presented for the approval of the Board of Governors at latest by the date fixed for completion of the current general review of Fund quotas, i.e., by February 1975.

Group of 24 on Monetary Affairs

The ministers of the intergovernmental Group of 24 on International Monetary Affairs held their seventh meeting at the headquarters of the International Monetary Fund in Washington, D C on June 9 and 10, 1974, under the chairmanship of Mr. Ismail Mahroug, minister of Finance of Algeria, with Mr. N. M. Perera, Finance minister of Sri Lanka and Mr. Manuel Moreyra, representing the Finance minister of Peru, as Vice-Chairman. The meeting of the ministers was attended by Mr. H. J. Witteveen, Managing Director of the International Monetary Fund, Mr. Ali Wardhana, Chairman of the Committee of 20, and Mr. Gamani Corea, Secretary-General of the United Nations Conference on Trade and Development.

The meeting of the ministers was pre-

Board Agrees on Oil Facilities

The Fund has decided on the establishment of a facility under which resources will be made available to member countries to assist them to meet the impact on the balances of payments of tncreases in the costs of petroleum and petroleum products. Resources made available under this decision will be supplementary to any assistance that members may obtain under other policies on the use of the Fund's resources. Requests for purchases under the Fund decision will be met by the Fund, subject to certain limits, if the Fund is satisfied that the member needs assistance because of the increases in the cost of its imports of petroleum and petroleum products in 1974 and because it has a balance of payments need. The Fund will assess each request in order to determine whether, and the extent to which, the member has such a balance of payments need. A member that has made a purchase under this decision will be expected to cooperate with the Fund to find appropriate solutions for its balance of payments problems.

A further condition for access to the facility is that the member represents that it is following policies not inconsistent with the undertakings set forth in paragraph 2 of the Rome Communique of the ad hoc Committee of the Board of Governors on Reform of the International Monetary System and Related Issues and in Exe, cutive Board Decision No. 4134-(74/4).

Fund lending of resources under this facility would be repaid as soon as the balance of payments problem for which the purchase had been made was overcome, and in any event in sixteen equal quarterly instalments to be completed not later than seven years after the purchase.

Interest on Fund borrowings from members in connection with the facility would be at an annual rate of seven per cent and corresponding rates would be charged to members that draw under the facility. Various members thus far have provisionally agreed to make resources available to the Fund in connection with this facility. They include Abu Dhabi, Canada, Iran, Kuwait, Libya, Oman, Saudi Arabia, and Venezuela. Resources available to the Fund from these countries would total initially the equivalent of about three billion units of special drawing rights.

Not later than September 15, 1974, the Executive Directors of the Fund will review developments since the adoption of this decision in the light of the Fund's existing and prospective liquidity. A further review will be conducted not later than December 31, 1974.

Paragraph 2 of the Rome Communique

Members of the Committee began by reviewing important recent developments including the large rise in oil prices and the implications for the world economy. They expressed serious concern at the abrupt and significant changes in prospect for the world balance of payments structure. They recognized that the current account surpluses of oil-producing countries would be very greatly increased and that many other countries — both developed and developing—would have to have large current account deficits. In these difficult circumstances the Committee agreed that in managing their international payments, countries must not adopt policies which would merely aggravate the problems of other countries. Accordingly, they stressed the importance of avoiding competitive depreciation and the escalation of restrictions on trade and payments. They further resolved to pursue policies that would sustain appropriate levels of economic activity and employment, while minimizing inflation. They recognised that serious difficulties would be created for many developing countries and that their needs for financial resources will be greatly increased and they urged all countries with available resources to make every effort to supply these needs on appropriate terms. The Committee agreed that there should be the closest international cooperation and consultation in pursuit of these objectives. They noted that the International Monetary Fund, the World Bank, and other international organizations are concerned to find orderly means by which the changes in current account positions may be financed, and they urged that these organizations should cooperate in finding an early solution to these questions, particularly in relation to the difficult problems facing nonoil-producing developing countries In particular, while recognizing the uncertainties with regard to future developments in the field of energy, the Committee agreed that the proposal of the Managing Director of the International Monetary Fund for a tempoarary supplementary facility should be urgently explored. It is recognized that such a facility poses operational problems which must be resolved and would particularly for nonoil-producing developing countries, be only a partial measure, in view of the nature and magnitude of the balance of payments problems created.

— Press Release 74/31, June 13.

ceded by a meeting of their deputies chaired by Mr Rachid Bouraoui of Algeria, with Mr Lal Jayawardena, Sri Lanka, as Vice-Chairman and Mr Allan Wagner, Peru, as Rapporteur.

The Chairman of the Deputies presented to the ministers a report on their discussions of the *Draft Outline of Reform* and submitted proposals for consideration by the ministers.

The ministers take note that Part I of the *Outline* represents a broad conception. Consequently, while they do not consider that it represents an adequately balanced approach which takes account of the interests of the developing countries, they refrain from elaborating upon these reservations at this time. They reaffirm their understanding that no decision will be taken to implement any element of Part I without the explicit endorsement of the entire membership of the Fund and expect that the concerns of all countries will be accorded due consideration in giving final shape to the international monetary reform.

On the basis of their discussions, the ministers affirm their position that the immediate reform package should reflect in a balanced manner items of reform which are of interest to both the developed and the developing countries. Such a package of immediate steps should include the following :

1. The Link and International Liquidity

The ministers observe that the question of establishing a link between development finance and SDR allocation in the context of reform has been thoroughly examined and the technical feasibility fully established. The principle of the link has been accepted by a large majority of the membership of the Committee of 20. The ministers wish to emphasize that the political acceptance of the link is overdue and a final decision to establish it should be taken without further delay and its provisions included in the draft composite resolution to be considered by the Committee of 20.

The ministers are emphatic in their view that any solution to the problem of gold should not jeopardize the effective implementation of the link; that it should serve to promote the objectives of the reform, with the SDR becoming the principal reserve asset and with the role of gold and reserve currencies being gradually reduced; that it should not accentuate the already inequitable distribution of world liquidity; and that it should be internationally agreed in the Fund.

2. Extended Fund Facility

The ministers urge that the Fund take urgent steps to establish the extended Fund facility before the end of July, 1974. They stress that this facility should in no way be considered as a substitute for the link.

3. Quotas and Voting Power

Present quotas and voting power in the Fund do not reflect adequately the needs or the importance of the developing countries in the world economy in terms of population, capacity for development, and supply of raw materials. Nor do the quotas adequately reflect either the ability of developing countries to contribute or their need for access, to balance of payments finance. In line with principles of efficiency, equity, and democracy, all developing countries should have a substantially higher share of both quotas and voting power in the Fund than those that they presently command.

4. Joint IMF/IBRD Ministerial Committee and Interim IMF Committee

The ministers support the establishment of a joint ministerial committee of the Fund and World Bank and are agreed on the main features that such a committee should take. They consider that this Joint Committee on the Transfer of Real Resources should come into existence as soon as possible and in any case not later than the occasion of the next Joint Annual Meeting of the Boards of Governors, and should be charged with the preparation in its first year of operation of concrete proposals for action.

The ministers support the establishment of an Interim Committee of the Board of Governors of the IMF. They attach importance to adequate representation of developing countries in it, which would be ensured by according ach multicountry constituency one member, seven associates, and the executive director. The terms of reference of the Committee should explicitly provide that within its purview it should review and supervise the adequacy of the net transfer of real resources to the developing countries as a separate item.

The ministers of the Inter-governmental Group of 24 on International Monetary Affairs consider that the above points represent the minimum necessary for the improvement of the position of developing countries in the interim monetary arrangements. The ministers are convinced that the solutions that they have proposed are indispensable to make the system more responsive to the interests of the developing countries, and will accelerate the reform and introduce stability into the new system. For these reasons, the ministers would be unable to endorse an outcor which would not respect the attainme of the above solutions. Hence, they a resolute in their view that these solutio none of which are substitutes for ea other, provide the bare essentials for acceptable package of measures for imm diate implementation.

The ministers also attach particul importance to the following points :

(a) Guidelines for Floating

The ministers welcome and support th understanding that all guidelines will b applicable only to currencies that floa independently and not to currencies tha are pegged either to another currency c to a composite of currencies even when as in some cases, the rate is changed a frequent intervals on the basis of formulae

(b) The Rate of Interest of the SDR and o Charges on Fund Drawings

If necessary, an amendment to the Ar ticles of Agreement should be adopted t ensure that any rise in the rate of charge on Fund drawings and in the rate of in terest of the SDR places no additiona burden on developing countries.

(c) The Transfer of Real Resources

The developed countries should, as a matter of urgency, take concrete steps to increase the net flow of real resources to developing countries, particularly to those in greatest need.

(d) Controls

The developing countries should be exempt from controls on trade or capital movements imposed by developed countries.

(e) Rules Governing the Use of the SDR

The rules governing the use of SDRs should be revised as envisaged in the Outline, including items such as reconstitution and the requirement of need.

The ministers decided to hold their next meeting in Washington on the occasion of the 1974 Joint Annual Meetings of the Boards of Governors of the IBRD and the IMF.

—Washington, June 10

Management of Floating Rates

The Executive Directors of the Fund, and the Deputies of the Committee of 20, have discussed "Guidelines for the Management of Floating Rates," as set forth in the (following) memorandum. The members of the Co mmittee of 20 have also examined this memorandum. The Executive Directors have now decided to

commend, pursuant to Article IV, ection 4(a), of the Fund's Articles of greement, that in present circumstances, und members should use their best ndeavours to observe the guidelines set orth and explained in the memorandum. onsultations with members with floating urrencies will be based on the memo-andum. These guidelines will be reviewed rom time to time in order to make any djustments that may be appropriate.

There is widespread agreement that the ehaviour of governments with respect to xchange rates is a matter of international oncern and a matter for consultation n surveillance in the Fund. This is no ess true when rates are floating than when hey are contained within fixed margins nd are changed by par value and central ate adjustments.

exercising surveillance

The Fund cannot legally authorize loating but it can exercise surveillance ver the manner in which members fulfill heir undertaking under Article IV Sec-ion 4(a) "to collaborate with the Fund o promote exchange stability, to main-ain orderly exchange arrangements with ther members and to avoid competitive xchange alterations." The following guidelines though not exhausting the possibilities of action by the Fund under his Article, are intended to provide cri-eria that members would observe in per-forming their undertaking and that the Fund would observe in exercising survei-lance in present circumstances.

These guidelines are based on the as-sumption that in any situation of floating t may be desirable (*a*) to smooth out very short-run fluctuations in market rates and (*b*) to offer a measure of resistance to market tendencies in the slightly longer run particularly when they are leading to unduly rapid movements in the rate, and (*c*) to the extent that it is possible to form a reasonable estimate of the medium-term norm for a country's exchange rate, to resist movements in market rates that appear to be deviating substantially from that norm. Guidelines of this kind are necessary, *inter alia*, in order to arrive at a clear conception of what competitive exchange alteration is, and to provide safeguards against it.

The guidelines also take into account :

(*a*) that national policies, including those relating to domestic stabilization, should not be subjected to greater constraints than are clearly necessary in the international interest;

(*b*) that a degree of uncertainty ne-

essarily attaches to any estimate of medium-term normal exchange rate, that this uncertainty is particularly great in present circumstances, and that on occasion the market view may be more realistic than any official view whether of the country primarily concerned or of an international body; and

(*c*) that in view of the strength of short-term market forces it may at times be unavoidable to forego or curtail official intervention that would be desirable from the standpoint of exchange stability if such intervention should involve an excessive drain on reserves or an impact on the money supply which it is difficult to neutralize.

The guidelines are intended to provide the basis for a meaningful dialogue between the Fund and member countries with a view to promoting international consistency during a period of widespread floating. They are termed guidelines rather than rules to indicate their tentative and experimental character. They should be adaptable to changing circumstances. No attempt is here made to indicate the precise procedures through which they would be implemented. These will be considered later, but they must essentially rest on an intensification of the confidential interchange between the member and the Fund.

In the application of the guidelines it is to be expected that, in view of the emphasis laid by the Committee of 20 at their fifth (Rome) meeting on the importance in present circumstances of avoiding competitive depreciation, particular attention would be attached to departures from the guidelines in the direction of depreciation. Special consideration will also be given to the manner in which the guidelines should be applied by developing countries, taking account of the stage of evolution of their exchange markets and intervention practices.

the guidelines

The guidelines should be understood in the light of the commentary which follows.

1. A member with a floating exchange rate should intervene on the foreign exchange market as necessary to prevent or moderate sharp and disruptive fluctuations from day to day and from week to week in the exchange value of its currency.

2. Subject to 3(*b*), a member with a floating rate may act, through intervention or otherwise, to moderate movements in the exchange value of its currency from month to month and quarter to quarter, and is encouraged to do so, if necessary, where factors recognized to be temporary or reversible call for a different course of action. In this connection, a member should normally act aggressively with respect to the exchange value of its currency (i.e., should not so act as to depress that value when it is falling, or to enhance that value when it is rising).

3. (*a*) If a member with a floating rate should desire to act otherwise than in accordance with 1 and 2 above in order to bring its exchange rate within, or closer to, some target zone of rates, it should consult with the Fund about this target and its adaptation to changing circumstances. If the Fund considers the target to be within the range of reasonable estimates of the medium-term norm for the exchange rate in question, the member would be free, subject to 5, to act aggressively to move its rate towards the target zone, though within that zone, 2 would continue to apply.

reasonable estimate

(*b*) If the exchange rate of a member with a floating rate has moved outside what the Fund considers to be the range of reasonable estimates of the medium-term norm for that exchange rate to an extent the Fund considers likely to be harmful to the interests of members, the Fund will consult with the member, and in the light of such consultation may encourage the member, despite 2 above, (*i*) not to act to moderate movements toward this range or (*ii*) to take action to moderate further divergence from the range. A member would not be asked to hold any particular rate against strong market pressure.

4. A member with a floating exchange rate would be encouraged to indicate to the Fund its broad objective for the development of its reserves over a period ahead and to discuss this objective with the Fund. If the Fund, taking account of the world reserve situation, considered this objective to be reasonable and if the member's reserves were relatively low by this standard, the member would be encouraged to intervene more strongly under Guideline 2 to moderate a movement in its rate when the rate was rising than when it was falling. If the member's reserves were relatively high by this standard it would be encouraged to intervene more strongly to moderate a movement in its rate when the rate was falling than when it was rising. In considering target exchange rate zones under 3, also, the Fund would pay due regard to the desirability of avoiding an increase over the medium term of reserves that were recognized by the standard to be relatively high, and the reduction of reserves that were recognized to be relatively low.

5. A member with a floating rate, like

other members, should refrain from introducing restrictions for balance of payments purposes on current account transactions or payments and should endeavour progressively to remove such restrictions of this kind as may exist.

6. Members with a floating rate will bear in mind, in intervention, the interests of other members including those of the issuing countries in whose currencies they intervene. Mutually satisfactory arrangements might usefully be agreed between the issuers and users of intervention currencies, with respect to the use of such currencies in intervention. Any such arrangements should be compatible with the purposes of the foregoing guidelines. The Fund will stand ready to assist members in dealing with any problems that may arise in connection with them.

Commentary

Certain of the terms used in the guidelines may be defined as follows :

(*i*) "A member with a floating exchange rate" means a member whose currency is floating independently in the sense that it is not pegged, within relatively narrow margins, to any other currency or composite of currencies. Members whose currencies are pegged to particular floating currencies, or to composites of such currencies, within these margins would be exempt from these guidelines, though not from any general principles relating to adjustment. Members which, though their currencies are pegged to another currency, change the peg frequently in the light of some formula relating, e.g., to price indices, would be expected to discuss this formula and any changes therein with the Fund. Members whose currencies are pegged to a composite of other currencies (e.g., members whose effective rates are fixed) would likewise be expected to discuss with the Fund the composite in question and any changes therein. Members whose currencies are floating jointly under mutual intervention arrangements with relatively narrow margins would be exempted from the intervention guidelines so far as intervention in each other's currencies is concerned, but would be held responsible to the Fund for their exchange market intervention *vis-a-vis* the rest of the world. As regards capital controls, official financing, and other measures to influence capital flows, each member belonging to such a group would be responsible for its measures judged in relation to its overall balance of payments situation.

(*ii*) "Exchange market intervention" would normally be measured by the movement of reserves, adjusted as appropriate for compensatory official borrowing. Consideration might also be given to including in the concept of intervention changes in official foreign exchange positions other than reserves.

(*iii*) "Action to influence an exchange rate" includes, besides exchange market intervention, other policies that exercise a temporary effect on the balance of payments and hence on exchange rates, and that have been adopted for that purpose. Such policies may take the form of official forward exchange market intervention, official foreign borrowing or lending, capital restrictions, separate capital exchange markets, various types of fiscal intervention, and also monetary or interest rate policies. Monetary or interest rate policies adopted for demand management purposes or other policies adopted for purposes other than balance of payments purposes would not be regarded as action to influence the exchange rate.

(*iv*) Where the terms "exchange rate" or "exchange value" are employed with respect to any currency it is assumed that these would normally be expressed in terms of effective rates, i.e., the value of the currency would be measured relative to a representative set of currencies rather than relative to its intervention currency alone. The set chosen for this purpose should, in principle, vary from country to country, and the currencies in the set should be weighted according to their importance to the country in question. The composition of the set might be based on trade and financial relationships or on trade relationships alone. If trade-weighted, it might be derived from the Multilateral Exchange Rate Model, or based on bilateral trade relationships. In some cases the basket used for the valuation of the SDR might be satisfactory for this purpose also. In some cases, finally, the rate *vis-a-vis* a single currency might provide a satisfactory approximation to an effective rate.

on guideline 1

Known large once-for-all or reversible transactions would be largely offset and their effects spread over time. In addition, intervention would be undertaken to moderate large day-to-day or week-to-week movements in rates due to speculative or other factors. Such intervention, if properly conducted, should tend to net out over time.

It is unlikely to be necessary for the issuer of the principal intervention currency itself to intervene from day to day in the manner described in this guideline.

on guideline 3

(*i*) The concept of a medium-term norm for an exchange rate is employed explicitly in (*a*) and implicitly in (*b*) of Guideline 3. By this is meant a rate that would tend to bring about equilibrium in the "underlying" balance of payments, i.e., in the overall balance in the absence of cyclical and other short-term factors affecting the balance of payments, including government policies which are, or, on internationally accepted principles, ought to be temporary. If the member concerned so proposes and the Fund agrees, "equilibrium" could allow for an internationally appropriate rate of increase or decrease in the member's reserves. The "medium-term" might be considered to refer to a period of about four years. Seasonal, speculative, and cyclical factors whose effects were reversible over such a period would be ignored.

(*ii*) An advantage of conceiving medium-term norms or target zones in terms of effective rates is that so long as the effective rate remains constant the balance of trade or currency payments of the floating country would not be greatly affected by changes in the relative exchange rates of the currencies of other countries. This should reduce the frequency with which it would be necessary to change zone

Interim Committee to be Set Up

The Executive Directors of the Fund are submitting to the Board of Governors a draft resolution recommnending the establishment of an Interim Committee of the Board of Governors on the International Monetary System which shall advise the Board of Governor in supervising the management and adaptation of the international monetary system, including the continuing operation of the adjustment process, and in this connection reviewing developments in global liquidity and the transfer of real resources to developing countries; considering proposals by the Executive Directors to amend the Articles of Agreement, and dealing with sudden disturbances that might threaten the system. The members of the Committee will be Governors of the Fund, ministers or others of comparable rank. Each member country of the Fund that appoints an Executive Director (the United States, the United Kingdom, Germany, France, and Japan) and each group of member countries that elected an Executive Director will appoint one member of the Committee—20 in all. In addition, each of the 20 constituencies will appoint seven associates. The executive director of each constituency will also attend the Committee meetings. The Interim Committee will serve until a permament and representative Council of Governors with decision-making powers can be established through an amendment of the Fund's Articles of Agreement.

— Press Release 74/28, June 13.

boundaries, or the magnitude of the hanges involved. It would be open to member if it so desired to express its arget rate or zone not as one that is onstant over time but as one that is ising or falling at a certain rate or at a ate dependent, for example, on an index f relative price or cost levels.

(*iii*) Under Guideline 3(b), the Fund would be authorized to take the initiative n situations where it considered that a nember's rate was likely to become armful to the interests of members whether as a result of market forces or f action by the member. Recommendaions to a member under this provision would be made by the Executive Direcors, on a proposal by the Managing Director, but the Managing Director would not make such a proposal except after onsultation with the member.

(*iv*) The greater the degree of uncerainty regarding the balance of payments ituation and prospects of a country the vider would be the range of reasonable stimates of the medium-term norm for ts exchange rate, and the wider would e the deviation beyond this range which would occur before the Fund would make ny suggestions under Guideline 3 (b). The Fund's right to make suggestions nder this guideline will, in any case, be xercised with restraint.

(*v*) In any suggestions the Fund might nake under Guideline 3(b), it would give a preference to liberalizing as opposed to restricting ways of exercising a given effect on exchange rates, but would bear in mind the distinction between capital controls applied for temporary balance of payments reasons and those applied for other economic and social reasons.

on guideline 6

This guideline would imply that in their use of their customary reserve currencies members with a floating rate, while recognizing the need of issuing countries for reasonable freedom of exchange rate movement, should not be precluded from intervening in a manner conformable with the guidelines. Among the problems that might arise regarding the use of intervention currencies, in the resolution of which the Fund might be of service, are those regarding the circumstances in which a member might intervene in a currency other than its customary reserve currency, the problem of interventions that move the value of the currency of intervention in an undesirable direction, and the problem of mutually offsetting interventions.

—Press Release No. 74/30, June 13.

Save with grace

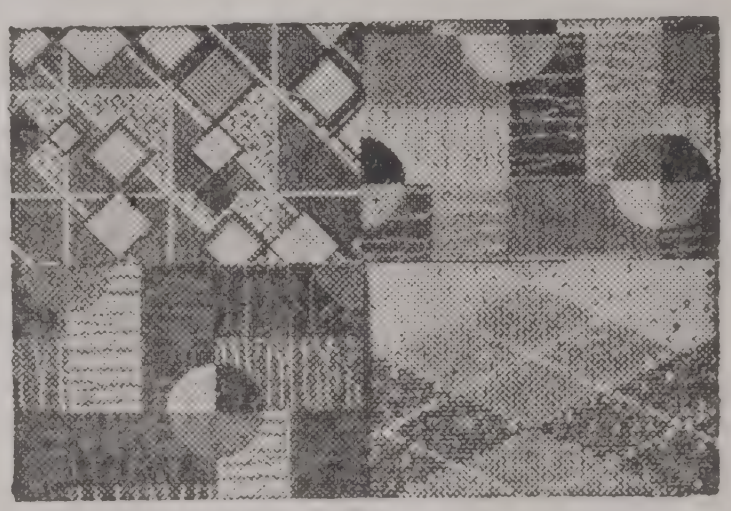
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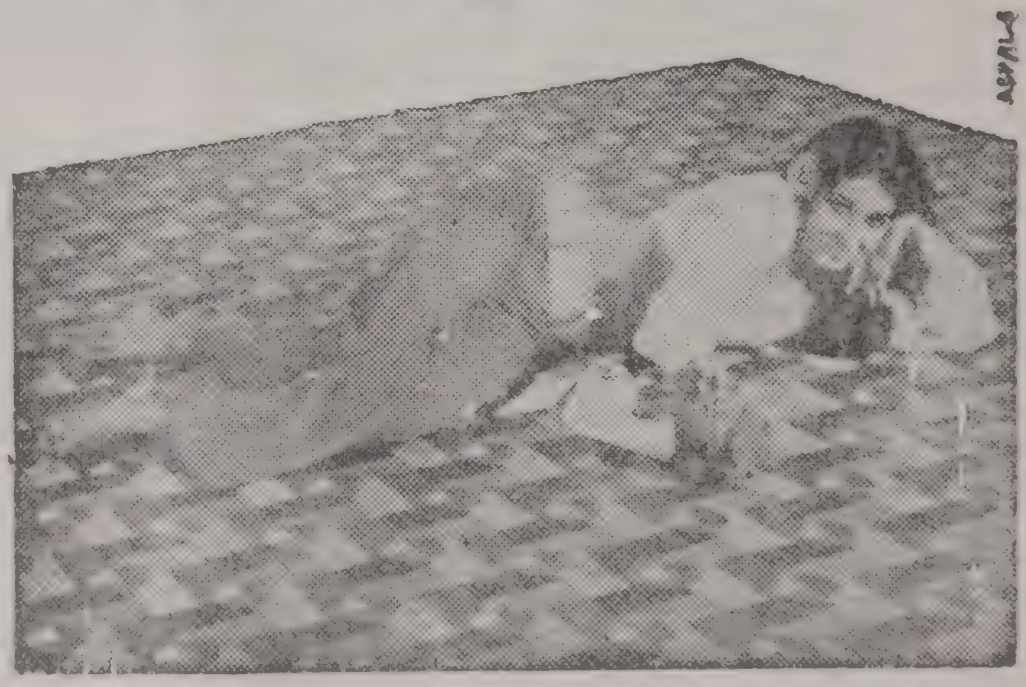
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MOVING FINGER

With due apologies to Mr Piloo Mody, Zulfi — no friend of mine—is merely Zulfi and no more. Mr Bhutto declared some time ago that, should the Indian sub-continent ever become re-unified into one state, he could hope to be at least its minister for External Affairs, in which case he would surely show to the world what a bold and skilful foreign policy could accomplish for this part of the world. His recent visit to Dacca gave him an opportunity to try to put some substance into this boast, but he did not even make the attempt. On the contrary, thanks to the unredeemed arrogance which is so much a part of his nature, he seemed to have gone out of his way to ensure that the people of Bangladesh were provided with additional reasons to distrust him and the government he heads in Pakistan. For instance, he churlishly kept his golf cap on when placing a wreath at the memorial to the martyrs of liberation struggle, thereby turning into a grudging gesture what should have been, at the very least, an act of homage.

Contrast this behaviour with that of Herr Willy Brandt when he visited Warsaw in 1970 as chancellor of the Federal Republic of Germany. As he laid a wreath on the memorial to the half-a-million Jews killed by the Nazis in the Warsaw ghetto, he went down on his knees on the stone steps and shed tears of repentance and remorse in a spontaneous act of atonement for the sins and crimes of a regime with which he himself had had nothing to do except as a dissenter or opponent but which was nevertheless a creature of the German nation to which he belonged. How very fitting it would have been had Mr Bhutto been capable of allowing himself to be moved emotionally and spiritually in a similar manner at the site made sacred to the memory of the victims of the military terror let loose by Islamabad on what was then East Pakistan! It is true that Mr Bhutto has been at pains to disclaim any part or lot in the policies or decisions that led to that vast atrocity committed on a whole people by a group of power-crazy or power-hungry military and political gangsters, but his role in the tragic sequence of events which resulted in the freedom struggle of Bangladesh will always remain a matter of dispute and, quite possibly, the utmost that might finally be said in his favour could be that he should be forgiven for he knew not what he was doing. Perhaps Mr Bhutto would have helped history to deliver at least this qualified absolution had he been able to summon sufficient moral strength for a self-cleaning display of humility and penitence if not on behalf of himself as an individual at least in his capacity as the legatee of the government which had savaged millions of men, women and children and ravaged an entire country.

Mr Bhutto's attempted goodwill visit to Bangladesh has been widely described as a diplomatic debacle, if not disaster. The two governments concerned were not even able to agree to disagree. The Bhutto delegation seemed to have given the impression that it was not serious at all about settling or even negotiating on Bangladesh's claims with regard to the division of assets and liabilities. The prime minister of Pakistan and his advisers seemed to have succeeded also in arousing the suspicion that they were intending to welsh on Islamabad's acceptance in principle its obligation to admit into Pakistan those non-Bengalis in Bangladesh who had opted for Pakistani citizenship. No wonder then Mr Bhutto so dismally failed in his somewhat narrow purpose of immediately establishing diplomatic and trade relations with Dacca.

So far as India is concerned there must certainly be some soul-searching in New Delhi which had so actively engaged itself in bringing about the tripartite agreement, for, it was as a signatory to this pact that the government of Bangladesh, in sheer good faith, gave up its right to try certain Pakistani prisoners of war accused of war crimes against the people of Bangladesh. Mr Bhutto's behaviour in Dacca wa an eloquent demonstration throughout his conviction that Pakistan could go o demanding and getting something fo nothing in its relations with the re of the sub-continent. Should such a attitude persist in Islamabad, New Dell would do well to reappraise its expecta- tions of improvement in political an economic relations among Pakistar Bangladesh and India on a shared tri partite basis. Meanwhile the fact tha the Bhutto visit to Dacca has flopped ha unfortunately made it all the more likel that Pakistan will be inclined to be eve more negative than otherwise in its atti tudes towards or dealings with our country The people and the government of Indi therefore have every reason to be un happy about the latest turn of events re lating to the dialogue or rather debat between Dacca and Islamabad.

In a recent issue of *The Times of India*, raising the questio "When Should Dons Retire?", Dr V.V John makes the point that professors in colleges and universities should know when to quit, but he also says that "we need a system that provides continued facilities for devoted academics to carry on advanced work, even after their forma retirement." As he put it, such men are not needed for administrative and organi zational work, but contact with them will be invaluable for young teachers and students on any campus. Dr Joh is equally in favour of a system "unde which young scholars do not, for thei professional advancement, have t want for their seniors' retirement o demise."

This is a sensible and helpful approac and I personally would certainly exten this principle or philosophy to journalism It is said that old soldiers never die. Ol journalists are no better. This is parti cularly annoying, since journalism, mor than any other profession, can so easil dispense with its old men. A journalis of course may be old even if he has no reached or crossed the biblical thre score and ten. Right now there are tw leading newspapers in the country whos editors, after a spell of service with foreig newspapers in south-east Asia, hav returned to their own country. They ma not be old men, perhaps, as old men g but they are certainly tired men or me who have lost whatever illusions the might once have had. The case of one them is particularly sadd-ning. He used write with fire in his belly. Now-a-days he may not even be smoking a pipe.

VB

TRADE WINDS

Ordinances to Contain Inflation

With a view to curbing inflation the President has promulgated the following ordinances: (1) The Companies (Temporary Restrictions on Dividends) Ordinance, 1974; and (2) The Additional Emoluments (Compulsory Deposit) Ordinance, 1974. The ordinances come into force immediately and extend to the whole of the country.

The first ordinance provides for a scheme for limiting the after tax profits distributed by companies. The main features of the scheme are: (i) The maximum distributable profits will be (a) 33-1/3 per cent of the net profits of the company or (b) an amount required to pay 12 per cent dividend on the face value of the equity shares of the company and dividend payable on its preference shares, whichever is less. (ii) The ceiling limit will be inforce for a period of two years. (iii) All Indian companies will be covered by this ordinance except those which are required to distribute a specified percentage of their after tax profits under Section 104 of the Income-tax Act. The ceiling limit will also apply to foreign companies which distribute dividends in India. (iv) The ceiling limit will apply to any declaration or payment of dividends after issue of the ordinance.

The second ordinance provides for a scheme of compulsory deposit (for a period of one year) of additional wages and salaries sanctioned hereafter. Similarly it provides for compulsory deposit for a period of two years of 50 per cent of the additional dearness allowance that may be sanctioned hereafter. The main features of the scheme are: (i) It will cover all employees of central and state governments, local bodies, companies, corporations, societies and all other industrial or commercial establishments in the private and public sector besides other salaried employees who are liable to pay income tax. However, government may exempt those categories of employees whose rates are very low from depositing increases in wages. (ii) The additional wages and salaries to be deposited for a period of one year will include increases in bonus and in other allowances but not increments due on regular time scales of pay, or higher wages payable on promotion. Honorarium and overtime allowance will also be excluded. Salary payments in pursuance of the recommendations of the Third Central Pay Commission will also be excluded. (iii) Compulsory deposit of 50 per cent of the additional dearness allowance for a period of two years would include all instalments of dearness allowance yet to be sanctioned. (iv) The amounts of addltional wages and 50 per cent of the additional dearness allowance compulsorily deposited will be impounded in special funds with the Reserve Bank of India and no part of it will be available to any employer or even to the state and central governments. (v) No withdrawals may be permitted from the special funds during the period of one or two years, as the case may be except in cases of extreme hardship. (vi) There will be no employer's contribution to these funds. (vii) The amounts deposited will be repaid thereafter in five annual instalments along with interest. (viii) The deposits in these funds will carry a rate of interest of 2½ per cent higher than the maximum bank deposit rate which is now 8½ per cent. Interest on these deposits will be included in the categories of income which qualify for exemption from income tax upto an aggregate amount of Rs 3,000 under Section 80L of the Income Tax Act, 1961. (ix) The deposits will not be liable to any tax in the year in which they are made but the prepayment instalments will be liable to tax in the years in which they are received by the employees. An employee will, however, have the option to claim that the additional wages or additional dearness allowance paid to him be assessed to tax at the rates at which such tax was liable to be assessed had the amount been paid to him in the year in which the additional wages or additional dearness allowance became payable to him.

Government recognised that any equitable anti-inflationary package must also cover income recipients other than those covered by the Additional Emoluments (Compulsory Deposit) Ordinance, 1974. The government was therefore, formulating a scheme of compulsory savings covering higher income groups not covered by this ordinance. The details of this scheme would be announced very shortly.

Curbs on Issue of Bonus Shares

The union government has placed further restrictions on the frequency of issue of bonus shares by companies. The time lag between two successive announcements of bonus issues by a company has been raised from 18 months to 40 months. The decision has been taken in view of the possibility that because of the ceiling on dividend, profits may be transferred to shareholders in the form of bonus shares. Similarly, the time lag for applying for issue of bonus shares (after they have been listed on stock exchanges or after completion of despatch of share certificates) has been increased from 12 months to 36 months.

Commonwealth Sugar Meet

A high-level meeting of the sugar-producing Commonwealth countries began in London on July 3, 1974, to consider the future arrangements for the export of Commonwealth sugar to the enlarged European Economic Community after the expiry of the Commonwealth Sugar Agreement at the end of 1974. Mr Y. T. Shah, Commerce Secretary, led the Indian delegation during the meeting. India along with other sugar exporting countries like Jamaica, Mauritious and Fiji, has been a beneficiary of the Commonwealth Sugar Agreement, which has been in vogue for over 20 years. She has been enjoying an assured quota of 25,000 tons per annum at a negotiated price.

Damascus Trade Fair

India will participate in the quota-oriented Damascus International Trade Fair. The Fair will begin on July 25, 1974 and is expected to continue up to August 20. The object of India's participation is to project through exhibits and display of photographs the image of industrial development in India. Among the exhibits in the Fair, household electrical appliances, paints, plastic goods, kitchenware, dress materials and handicrafts will find prominent place.

The Director of Exhibitions and Commercial Publicity of the ministry of Commerce has asked the intending participants to send their exhibits to Damascus immediately by air at their own cost. The expenditure on return of the exhibits by sea after the termination of the Fair will be borne by the government. While the participants will have to pay for space booked by them, all expenses abroad such as clearance of exhibits, their



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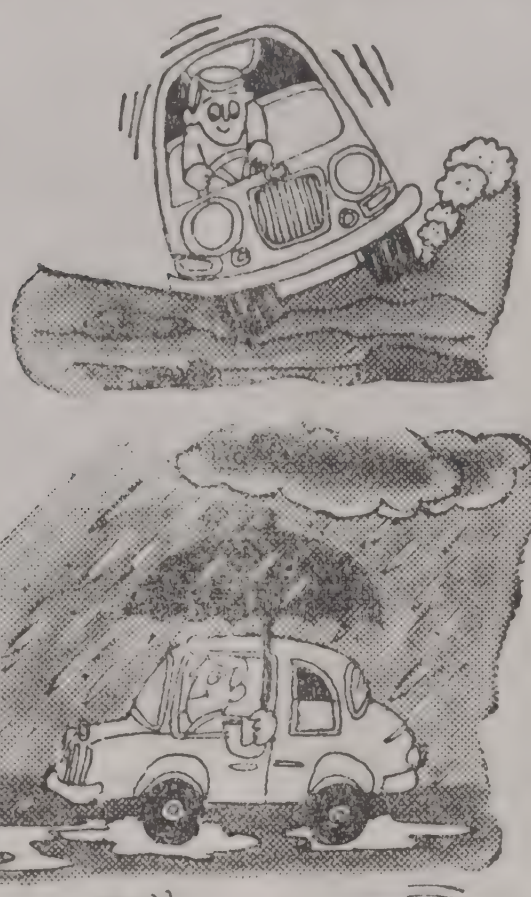
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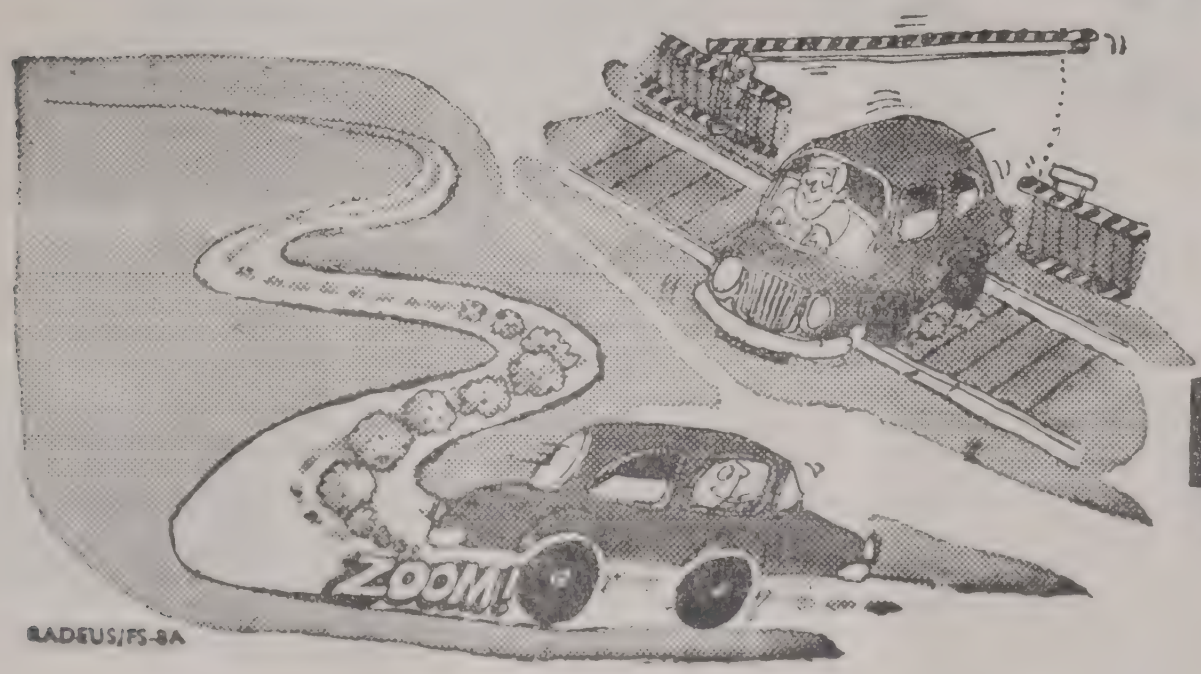
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Export of Engineering Know-how

The Engineering Projects (India) limited, (EPI) a public sector undertaking under the ministry of Heavy Industry, has decided to enter foreign markets in a big way. It is shortly opening two regional offices in Kuwait and Baghdad. The company has also carried out a feasibility study for setting up in Sri Lanka a rubber based industry. A technical team is now preparing a detailed project report for a paper project in Somalia. The company has also carried out marketing survey in the early part of this year in Kuwait, Iraq, Abu Dhabi, Malayasia, Thailand and Algeria. It is expected to sign some turn-key contracts in these countries.

EPI has recently signed a contract with Messrs Zeljezara, Sisak of Yugoslavia, for the supply of a portion of plant and machinery for a coke oven project which is being set up at Bakar port. The order is valued at Rs 5.7 crores. The Engineering Projects (India) Limited, which was set up in 1970, has over the last four years secured contracts for turn-key implementation of a total value of Rs 75 crores. These projects range from bulk material handling projects, coke oven projects, construction of foodgrains silos, setting up of sugar projects, low temperature carbonisation plants, crude oil conditioning plant, railway transmission line and ore dressing plant.

Air India's Gulf Operations

Air India will increase its services on the Gulf route to six flights a week from July 1974, when its revised summer timetable comes into effect. The sixth Gulf service will leave Bombay every Monday at 6.45 p.m. (local time) and will arrive in Bahrain via Muscat at 8.35 p. m. (local time). The return service will leave Bahrain at 9.30 p. m. (local time) the same day and will arrive in Bombay at 4.20 a.m. (local time) on Tuesday via Muscat.

With the introduction of the sixth Gulf service, Air-India will change its pattern of operation on the Gulf route. The current five Gulf services will now operate with two flights each on Tuesday between Bombay and Kuwait via Dhahran and between Bombay and Abu Dhabi via Dubai respectively, and two flights each on Thursday between Bombay and Doha via Dubai and between Bombay and Kuwait via Abu Dhabi and Bahrain respectively. The fifth Gulf service on Sunday swill operate between Bombay and Bahrain via Dubai.

Jute Corporation Training Programme

The Jute Corporation of India has selected 250 young men from jute growing areas for training in the marketing of jute. An advisory committee consisting of 10 to 12 members from different jute growing states, will be set up soon to advise JCI in regard to its working, according to JCI chairman Mr D. Sen. Mr Sen is of the view that there should be an increased quantum of crop loan, calling for a programme for intensive cultivation, he also stressed the need for research schemes to raise the per hectare yield.

New Regulations for Monopolies Commission

The Monopolies and Restrictive Trade Practices Commission has promulgated a new set of Regulations called The Monopolies and Restrictive Trade Practices Commission Regulations, 1974, in supression of the previous regulations made in 1970 and 1971. On his appointment as chairman in July last, Mr Justice J. L. Nain had stated that within a year he would revise the regulations to streamline the procedure followed in the proceedings of the Commision.

The Commission has been in existence for nearly four years and the experience of the working of the Commission during that period has been utilised in framing the new regulations. The new regulations for the first time make detailed provision for the exercise of the advisory jurisdiction of the Commission in respect of expansions, setting up of new undertakings, mergers, amalgamations and takeovers of the undertakings and for the exercise of the functions of the Commission in respect of division of large or interconnected undertakings into smaller units.

These also provide for the exercise by the Commission of its functions in exempting restrictive trade agreements from registrations with the Registrar of Restrictive Trade Agreements where such agreements have no substantial economic significance. Provision has also been made for exercise of the power of the Commission to exempt particular classes of goods from the prohibition of re-sale price maintenance in proper cases.

The procedure prescribed for inquiries pertaining to concentration of economic power, monopolistic trade practices and control of restrictive trade practices has been amplified. the time prescribed for delivery of pleadings and the number of pleadings has been reduced and the entire procedure has been shortened so that the inquiries can be concluded speedily. The regulations have as far as possible been brought in line with the Civil Procedure Code with which the country is already familar. Provision has been made for summary hearing in some cases and for awarding and recovery of costs, and grant of certified copies. Provision has also been made for preliminary investigation into complaints and references including those made by the Registrar of Restrictive Trade Agreements and the central and state governments.

After the present Chairman, Mr Justice J. L. Nain, joined the Commission in July, 1973, a number of *suo motu* inquiries have been started. In the new regulations machinery has been provided for the carriage of such proceedings. The duties and functions of the Director of Investigation and the Registrar of Restrictive Trade Agreements have been prescribed and the working of the Commission has been streamlined so as to provide for the efficient performance of the functions of the Commission.

Special Offer by UTI

The Unit Trust of India has announced a special sale price offer of Rs 10.30 per unit during the month of July 1974 to commemorate the completion of ten years of its operations. It is customary for the trust to sell units at a special price at the beginning of every financial year. This year's offer compares with Rs 10.45 per unit in July last year. After July, the normal unit pricing policy of the trust would apply. There will be no repurchase of units during July. It was also announced that the sale of units, which had been suspended from June 4 for the annual closing of accounts, will be resumed from July 1.

Indo-Bulgarian Cooperation

In a joint communique issued in Sofia on July 1 at the end of Mr Swaran Singh's official visit to Bulgaria, both sides noted with great satisfaction that the relations of fruitful and mutually beneficial cooperation between the two countries based on the principles of friendship and solidarity were continuing to strengthen and develop successfully in all fields. Both sides agreed to expand and promote mutual economic, scientific and technological cooperation and to exchange experience and expertise in the development of the different branches of their national economies so as to encourage more intensive and effective cooperation on a long term basis

The two sides were confident that the setting up of the Indo-Bulgarian Joint Commission for Economic, Scientific and Technical Cooperation in 1973 and the first session of which is planned to be held in New Delhi in October 1974 will promote the implementation of the programme of economic cooperation

as well as diversification and enlargement of bilateral trade.

Protection for Dye-Intermediates

The Tariff Commission held a public inquiry about the continuance of protection to dye intermediates industry beyond December 31 this year. The inquairy was held on july 9 at the Commission's Office in Bombay.

Increased Output of Films

The Hindustan Photo Film Manufacturing Company (HPF) has registered increase in their production. The value of production in 1973 was Rs 5.90 crores as against Rs 5.81 crores in 1972. The increase in production was achieved inspite of the power cut and shortage of an important basic raw material, namely, Methylene Chloride. The company also increased their sales by Rs 93 lakhs, from Rs 5.43 crores in 1972 to Rs 6.36 crores last year. Production of the company included X-ray, cine film positive and bromide paper. HPF proposes to lunch a programme of expansion and development of of new products during the fifth five-year Plan. The new products would include polyester based X-ray and graphic arts film.

Mineral Advisory Board

The meeting of the Mineral Advisory Board was held in Delhi on July 4. The minister for Steel and mines, Mr K.D. Malaviya presided. The meeting discussed transportation of minerals by rail and sea and suggested improvements. The proposals for amendments to Mines and Minerals (Regulation and Development) Act was also considered. The reports of the Study Group on Revision of Royalty Rates and the Committee for theDevelopment Cess on Minerals Use was also discussed.

Restriction on Imports into Nepal

Nepal has restricted the import of 15 items, including raw jute, from India in order to check re-exports and to protect the indigenous industry. A Commerce and Industry ministry notification listed the items as follows: raw jute mica, dry mushrooms, hides and skins of wild animals and goats, cardamom, human hair and wigs, pulses, musks, peacock feathers, mercury, sandal wood oil, tractor parts and trailers. These articles can no longer be imported without a permit. An official of the Commerce department states that these items were abundant in Nepal.

Emergency Risks Insurance

The union government has extended the duration of policies issued under the Emergency Risks (Goods) and (Undertakings) Insurance Schemes, 1971 for a further period of three months with effect from July 1, 1974. No premium will be paynble in respect of policies which are in force on June 30, 1974. As regards the property which becomes insu-

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after July 1, 1974 including the supplementary policies to the existing ones. The government of India has fixed rates of premium, namely, for goods—six paise for every hundred repees or any part thereof of the sum insured subject to a maximum of Rs 25 and for undertakings—ten paise per hundred rupees or any part thereof of the sum insured subject to a maximum of Rs 25.

Upper Krishna Project

The World Bank has sent its member, Mr Cambell, to study the feasibility of the Upper Krishna Project. Mr Cambell who was on a two-day visit to the project area, held discussions with the state government officials including the Area Development Officer Mr Alasingachar, Chief Engineer, Mr Angadi, and Deputy Commissioner Mr V. Balasubramanian, on land holdings, and connected subjects.

Colombo Plan

On July 1, twenty-three years ago, the Colombo Plan for Co-operative Economic Development in South and South-East Asia came into operation. The anniversary day provided a good occasion to take stock of the Plan's progress in promoting the socio-economic development of the region.

Although living standards had admittedly improved in the Colombo Plan region, mass poverty still prevailed in many areas. This situation was characterised by the rising expectations of the people invariably exceeding the level of achievement of better living standards. A clear assessment of economic advance was thereby rendered difficult.

The Plan, through bilateral action, has always functioned purely as a catalyst. Its basic concept was that peoples and grovernments of the region were primarily responsible for their own economic and social development. Development assistance provided under the Plan was thus aimed at complementing national efforts. External assistance, though for the efforts of the countries themselves. The extent of this assistance may be gauged from the fact that over $39 billion in capital aid and technical assistance had already been disbursed under Plan till the end of 1972.

A good portion of that amount had gone into the building of the economic infrastructure in regional member countries. Many of the Colombo Plan projects had therefore, little spectacular appeal. Several had a long gestation period. Multipurpose dams, railways, roads and highway, airports and planes, telecommunication facilities, land development and irrigation schemes, seaports and dry docks, oil, gas and fertiliser projects, universities and colleges, research and vocational institutions had all benefited from the co-operative assistance under the Colombo Plan. Capital aid and technical assistance had been extended in support of over 1,000 such projects covering various facets of developments in the region.

From the inception of the Plan in 1951 to the end of 1972, Australia's bilateral aid to the region amounted to $484.31 million; Britain $2,480.53 million; Canada $1,439.10 million; Japan $4,025.30 million; New Zealand $87.10 million; and the United States $30621.00 million.

Completion of Beas Dam

The Beas Dam at Pong is now ready. With the help of the existing Madhopur-Beas Link which transfers some of the surplus Ravi waters to the river Beas. The Beas Dam at Pong together with the Bhakra Dam would enable this country to harness almost about 92 per cent of the average inflow of the three eastern rivers Sutlej, Beas and Ravi for consumptive use; with the completion of Beas-Sutlej Link Project in 1976, this figure would further rise to about 97 per cent.

The total cost of the Beas Dam and power plant at Pong in estimated to be about Rs 220 crores out of which about Rs 190 crores have already been spent. The project is a joint venture of the states of Rajasthan, Punjab and Haryana and is being constructed under the aegis of Beas Construction Board, set up by the union government on behalf of the partner states. As much as 58.5 per cent of the expenditure incurred on the Beas Dam at Pong (Unit II) is being met by Rajasthan and the balance is being shared by Punjab and Haryana on an *ad hoc* basis in the ratio 60:40. The Pong Dam on the river Beas has been completed to its full height of about 133 mts. (435 ft.) The dam is now ready for storing monsoon waters this year which had hitherto been going waste. This is the highest rock-filled dam in the country which has been designed and constructed exclusively by Indians.

The dam has been designed to store 810,000 hectere metres (6.6 MAF) of water of which 690,000 hactare mts. (5.6 MAF) would constitute the Live Storage. During the ensuing monsoon, it is expected to store about 600,000 (4.8 MAF) of water of which the utilisable quantity would be about 470,000 hectere metres (3.8 MAF.) A substantial portion of this water would be utilised to provide rabi irrigation and multiple cropping for the first time on vast tracts of parched and arid areas of Rajasthen and augment irrigation supplies to Bhakra areas of Puujab and Haryana. To utilise these waters, a barrage at Harike and feeder channels, viz., Sirhind Feeder and Rajasthan Feeder have already been completed and work on one of the largest canal systems in the world, viz., the Rajasthan Canal Project is in progress in Rajasthan. The first stage of this Project is nearing completion. The Rajasthan Canal areas hitherto were dependent only on its share of the run-of-the river supplies, will now have assured water throughout the year. On full development, the waters stored behind the Beas Dam at Pong would provide perennial irrigation to an area of about 1.2 million hactares in Rajasthan and make available to Punjab and Haryana supplies capable of irrigating new areas to the extent of about 400,000 hectares. This is expected to result in an additional annual production of about two million tonnes of foodgrains besides substantial quantities of cash crops like cotton, sugarcane and oilseeds etc. The value of net annual increase in the production is expected to be of the order of Rs 150 crores.

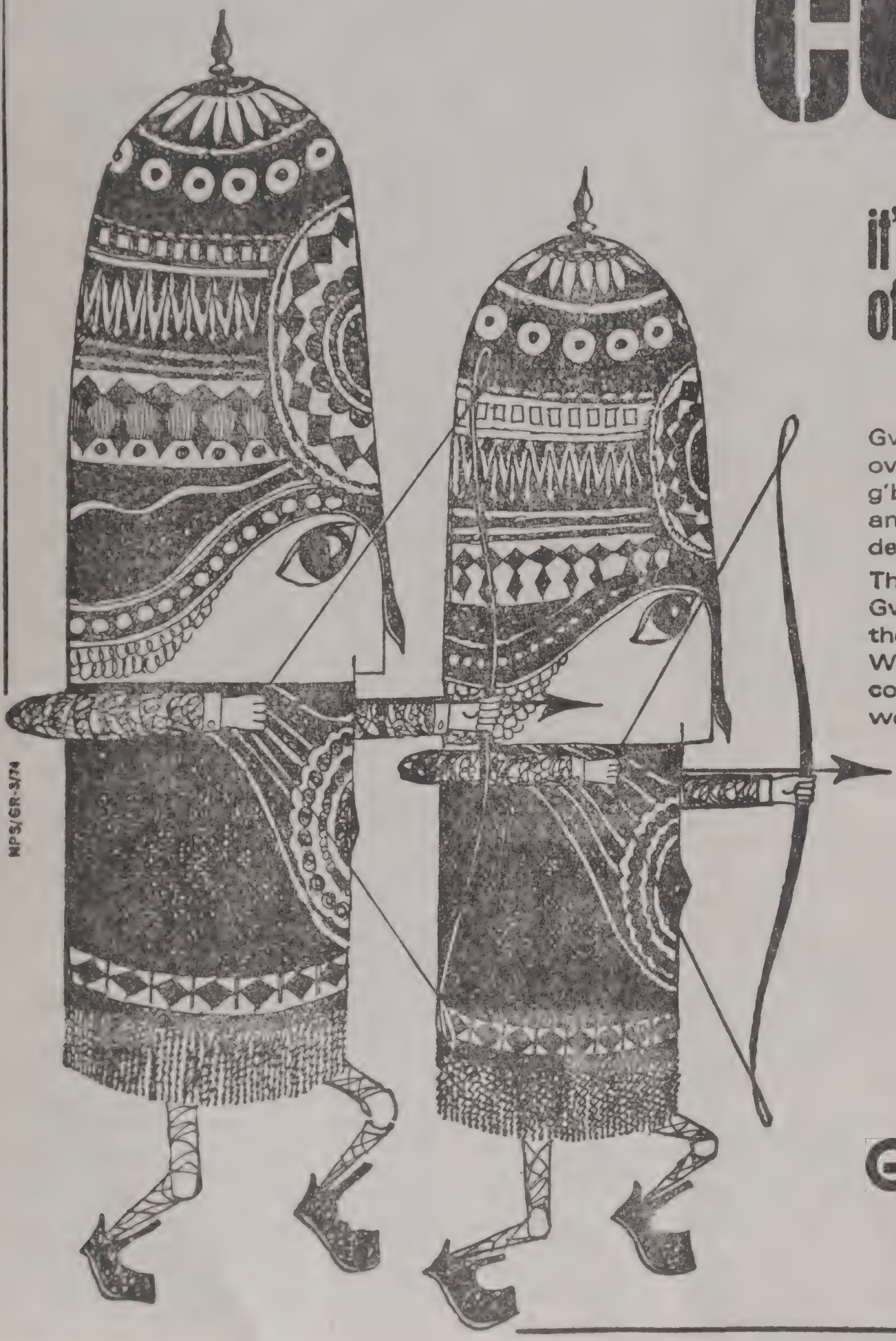
Coal Handling Plants

Tata-Robins-Fraser have recently been awarded two major orders of a total value of Rs 4 crores, for coal handling plants for vital thermal power stations in Maharashtra and UP. One order is from the Maharashtra State Electricity Board for the third stage of the expansion of the Koradi thermal power station to 1000 MW. The Koradi coal handling plant, valued at Rs 165 lakhs, comprises belt conveyor systems, crushers, electricals, etc. and will be executed within 20 months. Tata-Robins-Fraser had earlier been given a similar order for the coal handling plant for the first two stages of its power station, which they expect to commission ahead of schedule. The second order, valued at Rs 235 lakhs, has been placed by the UP State Electricity Board, for its Harduaganj thermal power station. The scope of work in Harduaganj is similar to that in the Koradi in addition it also involves the installation of a Wagon Tippler manufactured by Tata-Robins-Fraser.

Names in the News

Mrs Sumati Morarjee, Executive Director of the Scindia Steam Navigation Company, was elected chairman of Shri Narottam Morarjee Institute of Shipping, Bombay, at the institute's annual meeting. **Mr N. M. Mehta** Shipping Manager of F.F. Campbell and Company, was re-elected Vice-Chairman of the institute.

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COMPANY AFFAIRS

Unit Trust

THE UNIT Trust of India has completed the decade of its operations with sales of units and income setting new records during the year ended June 1974. It has maintained its dividend at 8.50 per cent. The trustees have been obliged to adopt a cautious approach in the context of the changed outlook for equities following the ordinance limiting company dividends. The current year is likely to be a "difficult year" and the UTI will have to reckon with the prospects of depreciation in the value of its existing investments because of the dividend freeze. But the chairman, Mr J.S. Raj is hopeful of the trust maintaining the dividend for the current year.

Sales of units during 1973-74 were Rs 30.30 crores under 100,069 applications compared to Rs 23.03 crores under 82,168 applications in the previous year. The aggregate income was also higher at Rs 13.83 crores. After the allocation of this income between the initial contributors and the unit holders and allowing for expenses chargeable to the unit capital, the net income allocated to the unit holders comes to Rs 12.87 crores against Rs 10.77 crores in the previous year. The repurchase of units amounted to Rs 3.69 crores under 13,979 applications during 1973-74 against Rs 2.97 crores under 11,361 applications. As on June 30, 1974, units sold and outstanding amounted to Rs 151.42 crores. The reinvestment plan of the trust has made further progress and the total amount under this plan was Rs 117.95 lakhs by 25,893 unit holders against Rs 89.92 lakhs by 21,332 unit holders. The sale of units under the children's gift plan stood at Rs 75.47 lakhs under 3,182 applications. Over 2,750 persons have joined the unit linked insurance plan up to June 30, 1974.

Calico Mills

The preliminary statement from the Ahmedabad Manufacturing and Calico Printing Company Ltd, popularly known as Calico Mills on its working results for the year ended March 1974, shows an improvement over the previous year's performance. The turnover is higher by 30 per cent from Rs 43.76 crores to Rs 57.05 crores. The gross profit recorded an increase of 138 per cent from Rs 3.39 crores to Rs 8.07 crores. The directors have recommended a dividend of Rs 17 a share on 560,000 ordinary shares and Rs 3.40 a share on 1955 'A' ordinary shares against Rs 19 a share on 445,000 ordinary shares and Rs 3.80 a share on 8,993 'A' ordinary shares paid in the preceding year. The dividend for 1973-74 is payable on a larger number of shares on account of the issue of bonus shares last year and the consolidation of 'A' ordinary shares, and fractionals. The total amount of the dividend will be Rs 95.30 lakhs. After providing Rs 2.24 crores (Rs 1.78 crores) for depreciation and Rs 74 lakhs (Rs 1.54 crores) for gratuity, the surplus for 1973-74 amount to Rs 5.09 crores. Exports of the company and its subsidiaries reached a record Rs 6.72 crores. The polyester fibre plant at Baroda went on stream this May. The capital expenditure incurred during 1973-74 amounted to Rs 4.16 crores against Rs 7.75 crores in the previous year.

Wellman Incandescent

The pre-tax profit of Wellman Incandescent India Ltd for the year ended March 31 1974, has declined from Rs 16.71 lakhs to Rs. 10.33 lakhs, after providing Rs 86,834 (Rs 96,426) for depreciation. The taxable ordinary dividend of 10 per cent has been maintained. Allocations include Rs 6.35 lakhs (Rs 10.75 lakhs) for taxation, and Rs 3.25 lakhs (Rs 5.24 lakhs) for general reserve. Sales rose from Rs 1.25 crores to Rs 1.44 crores.

Bombay Paints

Bombay Paints and Allied Products Ltd., which has maintained the dividend at 12 per cent, has achieved good results for 1973. Its sales increased by about 21.5 per cent from Rs 2.33 crores to Rs 2.83 crores and the gross profit by 10.8 per cent from Rs 13.81 lakhs to Rs 15.30 lakhs. After providing Rs 2.75 lakhs (Rs 2.45 lakhs) for depreciation, Rs 37,000 (Rs 30,000) for development rebate reserve and Rs 7.71 lakhs (Rs 6.86 lakhs) for taxation, the net profit amounts to Rs 4.47 lakhs against Rs 4.20 lakhs. The entire disposable surplus of Rs 5.18 lakhs (Rs 4 lakhs) after adjustments, has been transferred, to the general reserve out of which the proposed dividend amounting to Rs 1.80 lakhs will be paid.

Birla Jute

The directors of the Birla Jute Manufacturing Co. Limited has recommended a dividend of Rs. 1.60 per share (16 per cent) on ordinary shares for the year ended March 31, 1974 against 14 per cent paid in the previous year. The gross profit amounts to Rs 587.54 lakhs as against Rs 506.69 lakhs last year. Depreciations gets Rs 162.00 lakhs (Rs 182.64 lakhs) development rebate Rs 11.34 lakh (Rs 24.68 lakhs) taxation Rs 238.00 lakhs (Rs 155.00 lakhs) and general reserve Rs 176.20 lakhs (Rs 144.37 lakhs). The directors report that the year started out on a note of gloom due to shortage and higher prices of raw jute during May to July 1973. Competition from synthetics adversely affected the export demand, especially that of carpet backing. But the situation improved later with the advent of a bumper jute crop of about eight million bales in the 1973-74 season. The world energy crisis gave a competitive boost to the demand for jute goods due to the drastic rise in prices of petroleum products. But the industry could not take full advantage of this favourable demand and supply position due to stringent power supply position. The company's own captive power plant came to its aid and the problem was partially solved.

Kesoram Industries

Gross earnings of Kesoram Industries and Cotton Mills Limited increased to Rs 408.58 lakhs in 1973-74 from the previous year's Rs 245.52 lakhs although the turnover was slightly less at Rs 35.38 crores against Rs 36.17 crores last year. Net earnings during the year under review are higher at Rs 279.84 lakhs. The directors have recommended a dividend of Rs 1.50 per share for equity share holders against the previous year's Rs 1.20 per share. The directors feel that the company is capable of better performance, but for continuous power cuts and unplanned load-sheddings affecting most of the sections and labour trouble in some of the sections.

Larsen and Toubro

Larsen and Toubro Limited has reported good results for the year ended March, 1974. The dividend has been maintained at 15 per cent on the enlarged capital arising from a bonus issue of eight shares for every 25 shares held. The distribution will absorb

Rs 99.5 lakhs against Rs 77.8 lakhs in the previous year. The turnover has increased from Rs 38.68 crores to Rs 45.52 crores. Profit before taxation and development rebate is Rs 470.48 lakhs as against Rs 357.24 lakhs last year. After providing Rs 19 lakhs for development rebate reserve as against Rs 17.80 lakhs last year, and Rs 240 lakhs for taxation, the net profit is Rs 211.48 lakhs as against Rs 178.44 lakhs last year. The company's order backlog has risen to Rs 58 crores as compared to Rs 48 crores during the previous year.

Tiger Locks

Mr Surendra Kumar, Managing director of Tiger Locks Ltd, stated recently in New Delhi that the company's public issue in February last was well received in the market. The company took over Indian Implements Mfg. Co. in January and its domestic sales had reached Rs 33.85 lakhs in June 1974. Domestic sales of Tiger Products Pvt. Ltd, which were taken over by the company, amounted to Rs 27.49 lakhs in May and June. It is anticipated that the yearly figure will reach Rs 1.75 crores. An export promotion tour of the USA and Canada by one of the directors, Mr Vinod Kumar, has yielded good results. Firm orders for Rs 20 lakhs had been booked and export inquiries for an equal amount had been generated. The managing director stated that the export order book of the company had pending orders worth Rs 1.15 crores. He was hopeful of achieving record sales in the country and record exports during 1974-75. He was confident that the company would be able to pay a maiden dividend for the first year of its operations,

New issues

WG Forge and Allied Industries Limited formerly known as Wymon-Gordon India Limited, is entering the capital market on July 24 with a public issue of 840,000 equity shares of Rs 10 each at a premium of Rs 2.50 per share. The list will close on August 3 or earlier but not before July 27. The issue is not underwritten which reflects the confidence of the management in making this public issue. The issue is being made to raise part of the finance for its expansion programme costing Rs 2.84 crores and also to bring down the foreign holdings to 39.4 per cent as stipulated by the government.

The company has technical and financial collaboration with Wymon-Gorden company of the USA. The expansion programme envisages an increase in the capacity of forgings from 9,000 tonnes to 18,000 tonnes by the 'poor forge' process and to manufacture 12,000 numbers of finished crankshafts per annum. It has already applied for raising this capacity to 36,000 per annum. The company expects to achieve 12,000 tonnes of forgings by 1974 and the crankshaft project by mid-1975. According to Mr S. P. Rao, chairman and managing director, the company hopes to achieve a turnover of Rs 15 to Rs 16 crores during 1974 and a gross profit of Rs 3.50 crores and a net profit after tax of Rs 1.75 crores which will enable the company to declare a dividend of 15 per cent on the increased capital. At full capacity operation after the implementation of the two projects the sales will be over Rs 26 crores and the gross profit of Rs 5.60 crores by 1976. The company has also plans for a backward area in Maharashtra, which will cost Rs 4 crores to Rs 5 crores. The company's order books are full up to 18 to 20 months which in terms of value work out to Rs 20 to Rs 26 crores as on date.

Capital and Bonus issues

Consent has been accorded to 12 companies to raise capital amounting to over Rs 7.46 crores. Following are the details;

Goodlass Nerolac Paints Limited, Bombay, have been granted consent, valid for a period of three months, for the issue of bonus shares worth Rs 36,00,000.

Mafatlal Fine Spg. & Mfg. Co. Ltd., Bombay, have been accorded consent, valid for three months, for the issue of bonus shares worth Rs. 1,35,00,000.

Allied International Products Limited, New Delhi, having a paid-up capital of Rs 50,00,000, have been given an acknowledgement to their statement of proposal, valid for a period of 12 months, for issue of equity shares worth Rs 40 lakhs to be issued on rights basis. The proceeds of the issue are to be utilised for incurring expenditure for substantial expansion of their existing undertaking at Moradabad, UP.

Orissa Industries Ltd., Cuttack has communicated to government its proposal to issue capital under clause 5 of the Capital Issues (Exemption) order, 1969 to the value of Rs 67.75 lakhs in 6,77,500 equity shares of Rs 10 each, for cash at par, out of which shares worth Rs 55 lakhs will be offered for public subscription and the balance will be reserved for allotment to the Industrial Development Corporation of Orissa, Ltd.

Ranbaxy Laboratories Ltd., New Delhi has communicated to government its proposal to issue capital under clause 5 of the Capital Issues (Exemption) Order, 1969 to the value of Rs 23,25,000 in twentythree thousand two hundred and fifty 9.8 per cent cumulative redeemable preference shares of Rs 100 each to be issued privately for cash at par.

The Pradeshiya Industrial and Investment Corporation of U.P. Ltd., Lucknow, having a paid-up capital of Rs 215 lakhs, have been accorded consent for the issue of 10,000 bonds of Rs 10,00 each totalling Rs 100 lakhs (with a right to retain upto 10 per cent of the issue in the event of over-subscription) carrying interest at the rate of 6¼ per cent per annum and redeemable at par after 12 years, for cash at an issue price of Rs 997.50 per bond by private placement. The proceeds will be utilized for augmenting the resources of the corporation. The consent is valid for a period of 12 months only.

The Indian iron & Steel Co. Ltd. Calcutta have been granted consent for issue of convertible debentures worth Rs. 1,00,00,000 to be placed privately with UTI. The proceeds of issue are to be utilised to meet a part of the finance required for expenditure on the plant. rehabilitation scheme of the company.

Nuchem Plastics Limited have been accorded consent, valid for three months, for the issue of bonus shares worth Rs 14,99,500.

Kelvinator of India Limited have been accorded consent, valid for 12 months, for the issue of 4,90,000 equity shares of Rs 10 each for cash at par on rights basis.

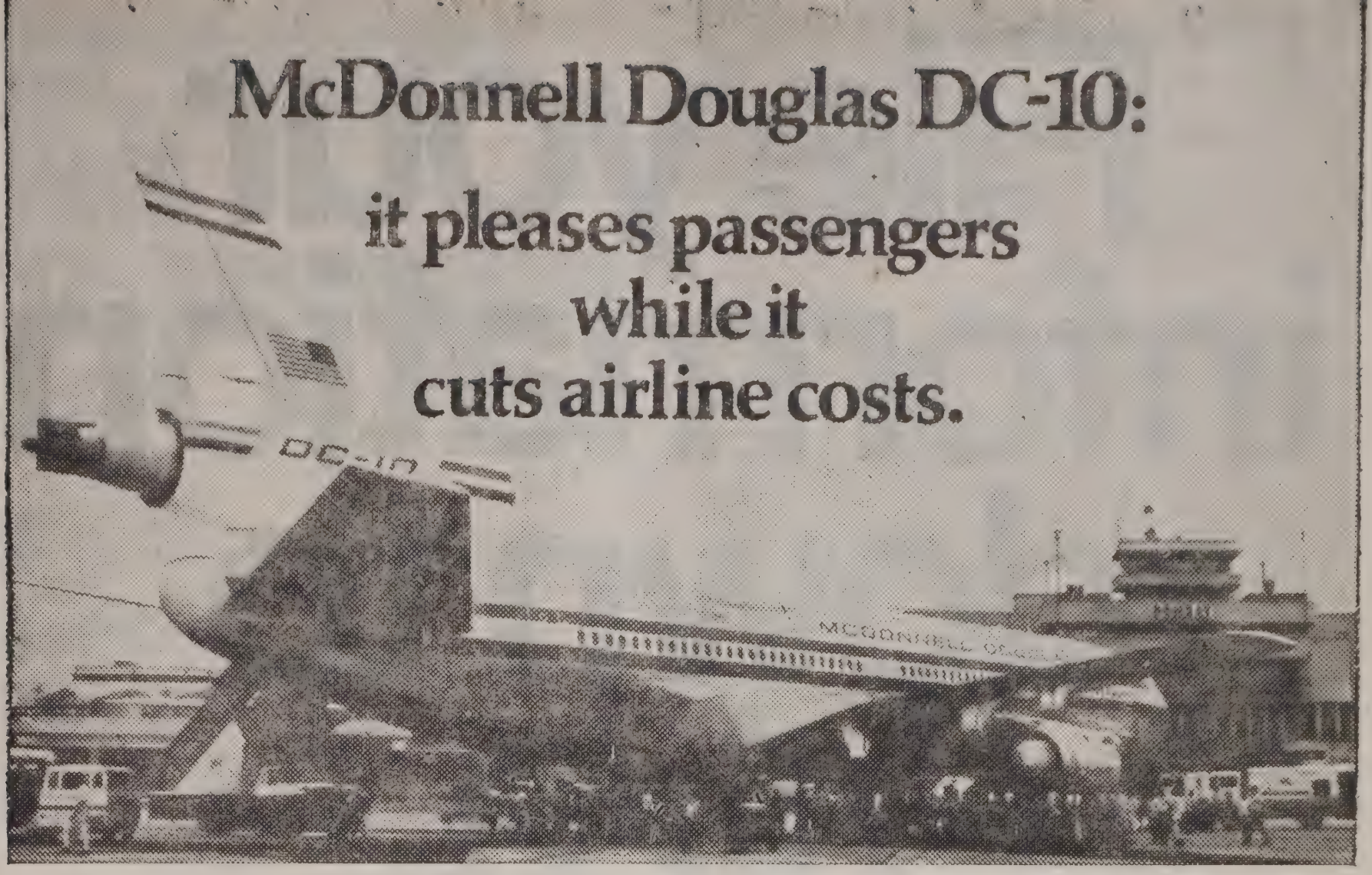
Oits Elevators Company India Ltd., Bombay having a paid-up capital of Rs 90 lakhs have been accorded consent, valid for 12 months for issue of share capital of Rs 22,50,000 divided into 2,25,000 equity shares of Rs 10 per share to the Indian public by a prospectus. The main objects of the above issue is to bring down the foreign holdings in the share capital of the company.

Centron Industrial Alliance Ltd Bombay have communicated to government their proposal to issue capital under clause 5 of the Capital Issues (Exemption) order 1969 to the value of equity shares worth Rs 1,00,00,000 inclusive of capital of Rs 30,37,500 already raised.

Universal Plast Ltd, Calcutta have communicated to government their proposal to issue capital under clause 5 of the Capital Issues (Exemption) Order, 1969 to the value of Rs 60 lakhs (inclusive of capital already subscribed divided into 6,00,000 equity shares of Rs 10 each for cash at par, out of which shares worth Rs 36.80 lakhs will be offered to the public for subscription by by a prospectus.

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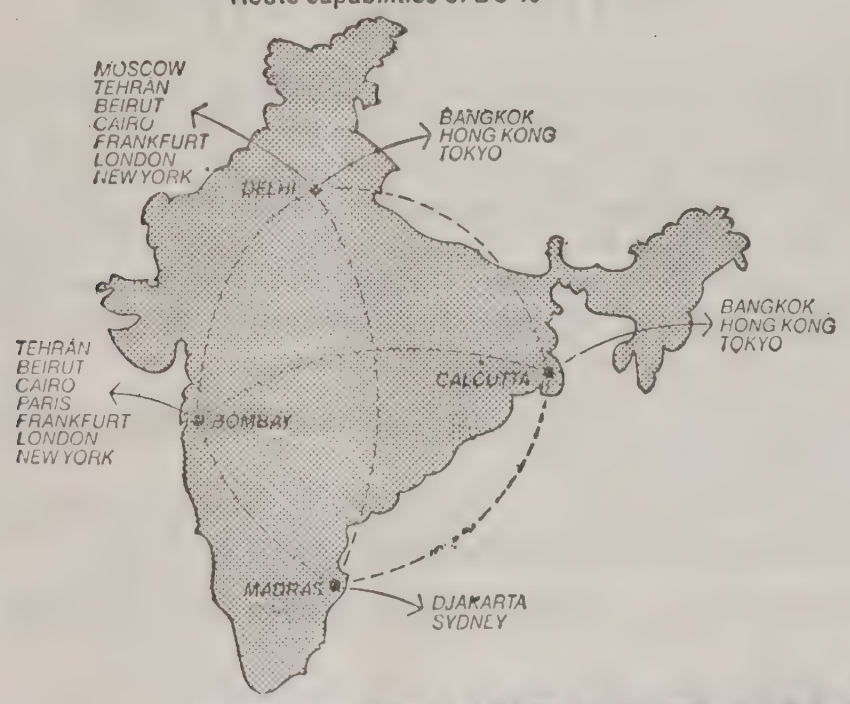
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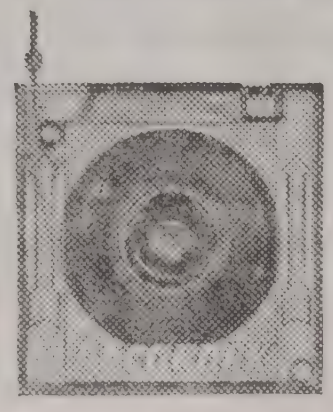
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RECORDS AND STATISTICS

Monetary reform: state of the debate

THE COMMITTEE of 20 has indicated in a paper "Outline of Reform" the general direction in which it believes the international monetary system could evolve in the future. There are also annexures to this paper which indicate a number of areas within which agreement has not been reached on some important aspects. Besides recording the state of the discussion in these areas, these annexures describe illustrative schemes and operational details.

These documents are reproduced below:

Part I : The Reformed System

Introduction

1. It is agreed that there is need for a reformed world monetary order, based on cooperation and consultation wiihin the framework of a strengthened International Monetary Fund, that will encourage the growth of world trade and employment, promote economic development, and help to avoid both inflation and deflation.

2. The main features of the international monetary reform will include:

(a) an effective and symmetrical adjustment process, including better functioning of the exchange rate mechanism, with the exchange rate regime based on stable but adjustable par values and with floating rates recognized as providing a useful technique in particular situations;

(b) cooperation in dealing with disequilibrating capital flows;

(c) the introduction of an appropriate form of convertibility for the settlement of imbalances, with symmetrical obligations on all countries;

(d) better international management of global liquidity with the SDR becoming the principal reserve asset and the role of gold and of reserve currencies being reduced;

(e) consistency between arrangements for adjustment, convertibility and global liquidity; and

(f) the promotion of the net flow of real resources to developing countries.

3. It is recognized that the attainment of the purposes of the reform depends also upon arrangements for international trade, capital, investment, and development assistance including the access of developing countries to markets in developed countries; and it is agreed that the principles which govern the international monetary system and arrangements in these related areas must be consistent.

Adjustment

4. There will be a better working of the adjustment process in which adequate methods to assure timely and effective balance of payments adjustment by both surplus and deficit countries will be assisted by improved international consultation in the Fund, including the use of objective indicators. To this end:

(a) Countries will take such prompt and adequate adjustment action, domestic or external, as may be needed to avoid protracted payments imbalances. In choosing among different forms of adjustment action, countries will take into account repercussions on other countries as well as internal considsrations.

(b) Countries will aim to keep their official reserves within limits which will be internationally agreed from time to time in the Fund and which will be consistent with the volume of global liquidity. Fot this purpose reserve indicators will be established on a basis to be agreed in the Fund. Possible operational provisions in connection with reserve indicators, with an illustrative scheme, are discussed in *Annex I.*

(c) Countries will apply adjustment measures in a manner designed to protect the net flow of real resources to developing countries, so as to help to achieve any internationally agreed resource transfer targets that they have adopted. Deficit countries in designing their adjustment measures will seek so far as possible not to reduce the access of developing countries and international development finance institutions to their financial markets, nor to reduce the volume of official development assistance or harden its terms and conditions. Surplus countries, particularly those that are not meeting internationally agreed resource tranfer targets that they have adopted, will seek so far as possible to increase aid and relax any restrictions on the access of developing countries and international development finance institutions to their financial markets.

5. Fund consultation and surveillance regarding the adjustment process will take place at two levels, the Executive Board and the Council to be establi- shed under paragraph 31, as follows:

(a) The Council will oversee the continuing operation of the adjustment process. In this connection the Council will at regular intervals review developments in world pa ments and liquidity and t aggregate net flow of real r sources to developing countri In addition, it may exami particular cases of imbalan which in the light of their i ternational repercussions a referred to it by the Executi Board or are considered the Council to be of speci significance:

(b) The Executive Boa will at regular intervals:

(i) survey the world pa ments situation in relatio both to the general workin of the adjustment process an to developments affecting gl bal liquidity, with periodi consideration of balance o payments aims;

(ii) review the aggrega net flow of real resources t developing countries and i financing, and the consisten of countries' balance of pa ments aims and policies wi any internationally agreed r source transfer targets th they have adopted; and

(iii) examine particul cases of imbalance that ha significant international repe cussions.

The Executive Board w as appropriate report to t Council on these matters.

6. Countries will becon subject to examination und paragraph 5(b)(iii) if either:

(a) there has been a dispr portionate movement in the official reserves; or

(b) in the judgement of t Managing Director, followi informal soundings amon Exccutive Directors, there prima facie evidence that country is facing significa imbalance, even though this not indicated by a dispropo tinate movement in its rese ves.

7. In the process of examin tion under paragraph 5(b)(ii representatives of the count will be expected to comme on the country's econom prospects, including particula ly its basic balance of pa ments position and prospec on its external objectives, a on what domestic or extern action, if any, it has taken

intends to take. An assessment by the Executive Board will establish whether there is a need for adjustment. In making its assessment, the Executive Board will take account of all relevant considerations, including the factors mentioned above; it will examine the consistency of the country's reserve and current account aims and policies with those of other countries, and will attach major importance to disproportionate movements of reserves. Account will be taken of the special characteristics of developing countries that make it difficult for them to achieve prompt adjustment without seriously damaging their long-term development programmes. Following an assessment the Executive Board will, where appropriate, call upon the country concerned to adopt or reinforce policies to correct its imbalance. A country in choosing between different forms of policy will take account of views expressed in the course of the examination on the form and size of policy action.

8. The Fund will continue to hold its normal consultations with member countries. In the course of these consultations the Executive Board will, inter alia, assess the country's payments performance on the same basis as in paragraph 7 and taking into account the factors mentioned there, and will, where appropriate, call upon the country concerned to adopt or reinforce policies to correct its imbalance if it has not previously been so called upon under paragraph 7,

9. It is agreed that in the adjustment procedures described above separate arrangements will need to be made for a limited number of countries with large reserves deriving from depletable resources and with a low capacity to absorb imports.

10. Normally the provisions of parragraphs 7 and 8 for assessment supported by reserve indicator would be expected to lead to appropriate adjustment action. If they do not do so the Fund will have available graduated pressures to be applied to countries in large and persistent imbalance, whether surplus or deficit. The possibility of the activation of such pressures could of itself encourage timely and effective adjustment action. In considering the application of pressures the Fund will take into account the factors mentioned in paragraph 7. The possible forms and methods of activation of graduated pressures are set out in *Annex 2*.

The Exchange Rate Mechanism

11. In the reformed system exchange rates will continue to be a matter for international concern and consultation. Competitive depreciation or undervaluation will be avoided. The exchange rate mechanism will remain based on stable but adjustable par values, and countries should not make inappropriate par value changes. On the other hand, countries should, whether in surplus or deficit, make appropriate par value changes promptly. Changes in par values will continne to be subject to Fund approval. The Fund may establish simplified procedures for approving small par value changes under appropriate safeguards.

12. Countries will undertake obligations to maintain specified maximum exchange rate margins for their currencies, except when authorized to adopt floating rates. The Fund will be empowered to vary the specified maximum margins on a qualified majority. It is agreed that it would be desirable that the system of exchange margins and intervention should be more symmetrical than that which existed in practice under the Bretton Woods system. Two possible approaches to a more symmetrical intervention system are discussed in *Annex 3*.

13. Countries may adopt floating rates in particular situations, subject to Fund authorization, surveillance and review. Such authorization will relieve a country of its obligations with regard to the maintenance of specified margins mentioned in paragraph 12. Such authorization will be given in accordance with provisions to be agreed, on condition that the country undertakes to conform with agreed guidelines for conduct. Guidelines will also be established for intervention by other countries in a floating currency. Authorization to float may be withdrawn if the country fails to conform with the guidelines for conduct, or if the Fund decides that continued authorizations to float would be inconsistant with the international interest. Possible provisions for the authorization of floating and guidelines for floating are discussed in *Annexe* 4.

Controls

14. There will be a strong presumption against the use of controls on current account transactions or payments for balance of payments purposes. In this connection arrangements will be made for continuing close coordination between the Fund and GATT,

15. Countries will not use controls over capital transactions for thc purpose of maintaining inappropriate exchange rates or, morc generally, of avoiding appropriate adjustment action. Insofar as countries use capital controls, they should avoid an excessive degree of administrative restriction which could damage trade and beneficial capital flows and should not retain controls longer than needed. Such controls should be applied without discrimination except as stated in paragraph 16; in this connection appropriate recognition will be given to the special position of countries that maintain close financial ties or that establish an economic and monetary union among themselves.

16. Wherever possible developing countries will be exempted from controls imposed by other countries, particularly from import controls and controls over outward long-term investment. The special circumstances of developing countries will be taken into account by the Fund in assesing controls which these countries feel it necessary to apply. In addition, developed countries should seek to remove legal, institutional and administrative obstacles to the access of developing countries to their financial markets. For their part, developing countries should seek to avoid policies which would discourage the flow of private capital to them.

Disequilibrating Capital Flows

17. Countries will cooperate in actions designed to limit disequilibrating capital flows and in arrangements to finance and offset them. Actions that countries might choose to adopt could include a more satisfactory degree of harmonization of monetary policies, subject to the requirements of domestic demand management; prompt adjustment of inappropriate par values, use of wider margins, and the adoption of floating rates in particular situations; and the use of administrative controls, including dual exchange markets and fiscal incentives. There will be improved consultation in the Fund on action designed to limit disequilibrating capital flows, with the following objectives: first, to increase the effectiveness of such actions and to minimize harmful effects on third countries; and secondly, to avoid unnecessary proliferation and escalation of controls and the additional flows which might be prompted by anticipation thereof.

Convertibility, Consolidation and the Management of Currency Reserves

18. It is agreed that the basic objectives to be accommodated in the reformed convertibility system should be symmetry of obligations on all countries including those whose currencies are held in official reserves; the better management of global liquidity and the avoidance of uncontrolled growth of reserve currency balances; adequate elasticity; and as much freedom for countries to choose the composition of their reserves as is consistent with the overall objectives of the reform.

19. As part of the better

international management of global liquidity, the aggregate volume of official currency holdings will be kept under international surveillance and management in the Fund. In this connection the Fund will take account of any necessary increase over time in official currency holdings in relation to the growth of international transactions and also of the special position of a limited number of countries with large reserves deriving from depletable resources and with a low capacity to absorb imports.

20. All countries maintaining par values will settle in reserve assets those official balances of their currencies which are presented to them for conversion. The Fund will establish appropriate arrangements to ensure sufficient control over the aggregate volume of official currency holdings. Alternative approaches to the control of official currency holdings are discussed in *Annex 5*.

21. Elasticity within the settlement system, particularly to finance disequilibrating capital flows, may be provided by credit facilities, including Fund credit and official bilateral or regional short-term credit. The Fund may establish as necessary new credit facilities to assist countries exposed to disequilibrating capital flows, particularly those without sufficient access to bilateral or regional credit. The establishment and use of bilateral and regional credit faciilties will be reported to the Fund. The extent to which credit facilities are used would be taken into account by the Managing Director for the purpose of paragraph 6(b). Additional forms of elasticity that have been suggested are set out in *Annex 6*.

22. The Fund will, as necessary, make provision for the consolidation of reserve currency balances to protect the future convertibility system against net conversion of any overhang of such balances which may exist at the restoration of general convertibility, and toensure that the issuers of the currencies concerned will be able to acquire reserve assets when in surplus and will not lose reserve assets beyond the amount of any future official settlements deficits. For this purpose, and also to permit countries that wish to do so to exchange official currency holdings for SDRs, the Fund will have authority to establish a Substitution Account. Possible operational provisions of a Substitution Account with an illustrative scheme are discussed in *Annex 7*. In addition, the Fund may also assist those countries that desire to negotiate bilateral funding of currency balances.

23. Countries will cooperate in the management of their currency reserves so as to avoid disequilibrating movements of official funds. Among the possible provisions for achieving this objective, the following have been suggested but are not agreed:

(a) Countries should respect any request from a country whose currency is held in official reserves to limit or convert into other reserve assets further increases in their holdings of its currency;

(b) Countries should periodically choose the composition of their currency reserves and should undertake not to change it without prior consultation with the Fund;

(c) Countries should not add to their currency reserve placements outside the territory of the country of issue except within limits to be agreed with the Fund.

Primary Reserve Assets

24. The SDR will become the principal reserve asset and the role of gold and of reserve currencies will be reduced. The SDR will also be the *numeraire* in terms of which par values will be expressed.

25. As part of the better international management of global liquidity, the Fund will allocate and cancel SDRs so as to ensure that the volume of global reserves is adequate and is consistent with the proper functioning of the adjustment and settlement systems. In the assessment of global reserve needs and the decision-making process for SDR allocation and cancellation the Fund will continue to follow the existing principles as set out in the Articles of Agreement. However, it is agreed that the methods of assessing global reserve needs must remain the subject of study, and it has been suggested that they may need to give additional emphasis to a number of economic factors, as discussed in *Annex 8*.

26. The effective yield on the SDR will be high enough to make it attactive to acquire and hold, but not so high at to make countries relucant to use the SDR when in deficit. The value of the SDR in transactions against currencies will be determined in such a way as to protect the capital value of the SDR against depreciation. Possible techniques for determining the value of the SDR in transactions against currencies are discussed in *Annex 9*. The interest rate on the SDR will be set from time to time by the Executive Board in such a way as to maintain an appropriate effective yield, in the light of changing market interest rates.

27. In the light of the agreed objective that the SDR should become the principal reserve asset, consideration will be given to revising the rules governing its use with a view to relaxing existing constraints. The suggestions for relaxation that have been made include:

(a) abolition of the limits on acceptance obligations and of the reconstitution obligation;

(b) some relaxation of the requirement of need for the use of SDRs;

(c) authority for willing partners to enter into transactions in SDRs without designation by the Fund;

(d) authorization for the General Account to accept or use SDRs in all transactions and operations in which it can accept or use gold or currency;

(e) authorization for the Fund to designate any official international or regional institution of a financial character as a holder of SDRs;

(f) authorization for the Fund to permit additional types of transactions and operations in SDRs; and

(g) authorization for the Fund to modify the provisions on opting out of decisions to allocate SDRs.

Consideration will be given to other aspects of the SDR, including its name, with a view to promoting public understanding.

28. Appropriate arrangements will be made for gold in the reform system, in the light of the agreed objectives that the SDR should become the principal reserve asset and that the role of gold should be reduced. At the same time it is also generally recognized that gold reserves are an important component of global liquidity which should be usable to finance balance of payments deficits. It is not yet settled what arrangements for gold would be best in the reformed system, having due regard to the interests of all member countries. Under one approach, monetary authorities, including the Fund, would be free to sell, but not to buy, gold in the market at the market price; they would not undertake transactions with each other at a price different from the official price, which would be retained and would not be subject to a uniform increase. Under another approach, the official price of gold would be abolished and monetary authorities, including the Eund, would be free to deal in gold with one another on a voluntary basis and at mutually acceptable prices, and to sell gold in the market. A third approach would modify the preceding one by authoriz-

ng monetary authorities also o buy gold in the market. Arrangements have also been proposed whereby by the Fund would be authorized to purchase gold from monetary authorities in exchange for SDRs at a price between the market and the official price, and to sell gold gradually over time in the market; if arrangements of this kind were introduced, questions would arise concerning both the Fund's policy with respect to its sales in the market, and the sharing of any profits or losses accruing to the Fund from its gold transactions.

The Link and Credit Facilities in Favour of Developing Countries.

29. In the light of the agreed objective to promote economic development, the reformed monetary system will contain arrangements to promote an increasing net flow of real resources to developing countries. Such arrangements are further discussed in *Annex 10*, which deals with the special intersts of developing countries. If these arrangements were to include a link between development assistance and SDR allocation, this could take one of the following forms:

(a) A link would be established between development finance and SDR allocation, the total volume of which allocation will be determined exclusively on the basis of global liquidity needs. This link would take the form of the direct distribution to developing countries of a larger proportion of SDR allocations than they would receive on the basis of their share in Fund quotas. Link resources so allocated would be distributed to all developing countries in such a way as to be relatively favorable to the least developed countries.

(b) A link would be established between development finance and SDR allocation, the total volume of which allocation will be determined exclusively on the basis of global liquidity needs. This link would take the form of direct allocation to international and regional development finance institutions of a predetermined share of SDR allocations. Link resources distributed to development finance institutions would be disbursed to developing countries on the basis of development need and in such a way as to be relatively favourable to the least developed countries. The use of link funds by development finance institutions, including their distribution and terms, would reflect the nature and purpose of these resources.

30. It is envisaged that there will be a new facility in the Fund, under which developing countries would reccive longer-term balance of payment finance.

The Institutional Structure of the Fund

31. A permanent and representative Council, with one member appointed from each Fund constituency, will be established. The Council will meet regularly, three or four times a year as required, and will have the necessary decision-making powers to supervise the management and adaptation of the monetary system, to oversee the continuing operation of the adjustment process and to deal with sudden disturbances which might threaten the system. The Managing Director will participate in meetings of the Council.

Part II : Immeditate Steps

32. It is recognized that, as stated in the Preface to this *Outline*, it will be some time before a reformed system can be finally agreed and fullys implemented. In the interim period, the Fund and member coutries will pursue the general objectives set out in paragraph 1, and will observe, so far as they are applicable, the principles contained in part I of this *Outline*. It is proposed that a number of steps should be taken immediately, to begin an evolutionary process of reform, and to help meet the current problems facing both developed and developing countries.

33. The Council referred in paragraph 31 will be established as soon as practicable. In the meantime an Interim Committee of the Board of Governors will be created, with an advisory role in the areas in which the Council is to have decision-making powers, and with similar composition and procedures. This Committee will come into being when the Committee of the Board of Governors on Reform of the International Monetary System and Related Issues has completed its work.

34. During the interim period, with significant changes in prospect for the world balance of payments structure, there is an evident need for close international consultation and surveillance of the adjustment procees. Countries will be guided in their adjustment action by the general priciples set out iu paragraph 4. During the current period of exceptional and widespread payments imbalances, they will cooperate with one anothor and with international institutions to find orderly means to deal with these imbalances without adopting policies that would aggravate the problems of other countries, and to promote equilibrating capital flows: in this connection a facility will be established in the Fund to assist member countries in meeting the initial impact of the increase in oil import costs. The Fund will exercise surveillance of the adjustement process though the Council (or, for the time being, the Interim Committee of the Board of Governors) and the Executive Board, on the lines of the procedures set out in paragraphs 5—10, and ubject for the time being to the following provisos, namely that:

(a) the Fund will seek to gain further experience in the use of objective indicators, inciuding reserve indicators, on an experimental basis, as an aid in assessing the need for adjustment, but will not use such indicators to establish any presumptive or automatic application of pressures;

(b) determination of what is a disproportionate movement in reserves will be made in the light of the broad objectives of member countries for the development of their reserves over a period ahead, as discussed with the Fund; and

(c) the pressures which may be applied to countries in large and persistent imbalance will continue to be those at present available to the Fund.

35. During the interim period, exchange rates will continue to be a matter for international concern and consultation, and competitive depreciation or undervaluation will be avoided. For these purposes, during the present period of widespread floating, countries will be expected in their intervention and other policies to follow guidelines on the lines of *section B of Annex 4* and be subject to surveillance in the Fund as there described.

36. During the interim period, countries will be guided by the principales set out in paragraphs 14—17 in relation to controls and to cooperative active to limit disequilibrating capital flows. Particular importance will be attached during the interim period to avoiding the escalation of restrictions on trade and payments for balance of payments purposes. To this end, member countries of the Fund will be invited to pledge themselves on a voluntary basis, in addition to observing their obligation

vith respect to payments restrictions under the fund's Articles, for a period of two years, not to introduce or ntensify trade or other current account measures for balance of payments purposes without a finding by the Fund that there is balance of payments justifIcation for such measures.* In this connection arrangements will be made for continuing close coordination between the Fund and GATT.

37. (a) Countries will cooperate with the Fund during the interim period in seeking to promote the principle of better management of global liquidity as set out in paragraph 2(d). The Fund will assess global reserves and take decisions on the allocation and cancellation of SDRs in accordance with paragraph 25. The Fund will periodically review the aggregate volume of official currency holdings in accordance with paragraph 19 and, if they are judged to show an excessive increase, will consider with the countries concerned what steps might be taken to secure an orderly reduction.

(b) The Fund will also give consideretion to substitution arrangements and examine whether an amendment of the Articles of Agreement would be desirable in this connection.

(c) There will be further international study in the Fund of arrangements for gold in the light of the agreed objectives of reform.

38. It is agreed that in present circumstances, and without prejudice to the method of valuation to be adopted in a reformed system, the valuation of the SDR will be based on a basket of currencies in accordance with the "standard basket" technique described in *Section A, paragraph 1, of Annex 9*, and that the rate of interest will be determined periodically by the Executive Board in the light of changing market interest rates. This arrangement will be reviewed by the Fund two years after it comes into operation.

39. In view of the serious difficulties that are facing many developing countries, it is agreed that their needs for financial resources will be greatly inereased and that all countries with available resources should make every effort to supply these needs on appropriate terms. To this end countries with available resources and development finance institutions should make arrangements to increase the flow of concessionary funds, and should give consideration to various measures including the redistribution of aid effort in favour of countries in greatest need, interest subsidies, and short-term debt relief on official loans in the special case of countries without access to financial markets.

The Committee is not unanimous on the question of establishing a link between development assistance and SDR allocation. The Committee is agreed that the Interim Committee should reconsider, simultaneously with the preparation by the Executive Board of draft amendments of the Articles of Agreement, which it is envisaged would be presented for the approval of the Board of Governors by February 1975, the possibility and modalities of establishing such a link. The Executive Board is urged to proceed to an early formulation and adoption of an extended Fund facility as referred to in paragraph 30. It is recommended that a joint ministerial Committee of the Fund and World Bank should be established, to carry forward the study of the broad question of the transfer of real resources to developing countries after the Committee of the Board of Governors on Reform of the International Monetary System and Related Issues has completed its work, and to recommend measures to be adopted in order to implement its conclusions. It is further recommended that the joint ministerial Committee should give urgent attention to the problems of the developing countries most seriously affected by exceptional balance of payments difficulties in the current situation, bearing in mind the need for coordination with other international bodies, and that prepartory work on this aspect should be started immediately, in advance of the establishment of the Committee.

40. The Executive Board will consider possible changes in the General Account and in the rules governing the use of SDRs appropriate for the interim period. The Executive Board will complete the current general review of Fund quotas as soon as possible, bearing in mind the general purposes of the reform.

41. The Executive Board is asked to prepare draft amendments of the Articles of Agreement, as needed to give effect to this Part of the O*uline* or as otherwise desired, for further examination by the Interim Committee, and for possible recommendation at an appropriate time to the Board of Governors. In particular draft amendments should be prepared on the following proposals:

(a) to establish the Council referred to in paragraph 31;

(b) to enable the Fund to legalize the position of countries with floating rates during the interim period;

(c) to give permanent force to the voluntary pledge described in paragraph 36 concerning trade or other current account measures for balance of payments purposes;

(d) to authorize the Fund to establish, as and when agreed, a Substitution Account;

(e) to amend the present provisions concerning gold;

(f) to authorize the Fund to implement a link between development assistance and SDR allocation; and

(g) to introduce imporvements in the General Account and in the characteristics of and rules governing use of the SDR, as well as any other consequential amendments.

It is envisaged that such draft amendments, if agreed, would be presented for the approval of the Board of Governors at latest by the date fixed for completion of the current general review of Fund quotas, i.e., by February 1975.

Annexes

As stated in the Preface to the Outline, a number of areas, within which agreement has not yet been reached on some important aspects, are treated more fully in the following Annexes, which have been prepared by the Chairman and Vice-Chairmen of the Deputies to record the state of the discussion in these areas, and to provide illustrative schemes and operational detail. It is envisaged that arrangements in these areas, as they may be agreed, should be implemented as and when the Fund judges it feasible to do so, and that the Fund might in some cases introduce such arrangements initially on an experimental basis with a view to subsequent agreement on full implementation.

The Annexes are as follows.

Annex 1: Reserve indicators: possible operational provisions with an illustrative scheme.

Annex 2: Pressures: possible forms and methods of activation.

Annex 3: Exchange margins and intervention: possible operational provisions with illustrative schemes.

Annex 4: Floating in particular situations: possible operational provisions.

Annex 5: Control over the aggregate volume of official currency holdings: possible operational provisions with illustrative schemes.

*This pledge will take the form of declaration as set out in the Appendix for this part of the Outline.

Annex 6: Elasticity: possible additional forms.

Annex 7: A substitution Account: possible operational provisions with an illustrative scheme.

Annex 8: SDR allocation and cancellation possible operational provisions.

Annex 9: Valuation of the SDR: possible operational provisions.

Annex 10: The special interests of developing countries.

Annex 1 : **Reserve Indicators: Possible Operational Provisions with An Illustrative Scheme**

It is agreed that a better working of the adjustment process is to be assisted by the use of objective indicators. In particular, reserve indicators will be established on a basis to be agreed in the Fund, for the purpose stated in paragraph 4(b) of the *Outline.*

A number of questions concerning reserve indicators remain unresolved. These include whether they should relate to the level of reserves (a stock indicator) or to changes in reserves (a flow indicator). If a stock indicator were adopted, there is a question as to how reserve norms (i.e., target levels of reserves) for individual countries would be chosen. In the case of either a stock or a flow indicator, it would have to be decided whether reserves were to be measured gross or net of reserve liabilities. Precise definitions of assets and liabilities and reporting requirements would need to be settled. There is also a major unresolved question as to whether there should be any link between reserve indicators and the presumptive or automatic activation of presures.

More generally, it is recognized that, in the absence of operational experience, it is difficult to judge how arrangements involving the use of reserve indicators would work in practice. Particular reservations have been expressed concerning the possible effects of the use of reserve indicators on market expectations regarding exchange rates. (For a fuller discussion of reserve indicators see the Reports of the Technical Groups on Indicators, and on adjustment).

A Definitions

A "reserve indicator" is a measure of reserves on either a stock or a flow basis. A reserve indicator structure" is a set of specified points or reserve levels. When one of the points in the structure was reached by the reserve indicator it would serve as a signal that a sizable imbalance existed which might require examination or the application of pressures. Whether the results shown by a flow and a stock indicator differed greatly would depend, inter alia, on whether the flow indicator measured changes in reserves continuously or whether the measure of the flow was interrupted under specified conditions. An interrupted flow indicator would call attention to payments imbalances as they occured, whereas a stock indicator or a continuous flow indicator would, in additlon, call attention to a developing imbalance in the distribution of reserves among countries. The illustrative scheme for a reserve indicator structure given below is based on a stock indicator.

Reserve assets for the purposes of the indicator could consists of official holdings of SDRs, reserve positions in the Fund, gold and foreign exchange. The latter includes claims of all types that would normally be used to finance payments deficits. Claims that would not normally be so used (e.g., trade credits and development loans) would not be included. Information required for the determination of reserves of all members would be reported to the Fund within a specified period atfer the end of each month. The location af deposits and the currency of denomination might also need to be reported.

Reserve liabilities, which would be used to compute a partial or total net reserve indicator, could consist of all liabilities of the public or private sector that are included in the reserves of other countries; net debtor positions in the Fund; and also any liabilities to a Substitution Account or to an Excess Reserves Account (see *Annex 2, section A* (*ii*) that may be established in the Fund. Reserve liabilities would not include certain liabilities of the private sector that are denominated, in foreign currency (eg,, Euro-currency deposits.)

In the illustrative scheme of a reserve indicator structure that follows, the reserve indicator for each country would be equal to reserve assets adjusted for cumulative changes in its reserve liabilities from the time of the implementation of the scheme. Hence, a country's reserve indicator would always differ from its net reserves by the amount of its reserve liabilities at the time of implementation. Alternatively reserves could be measured gross, i.e., without deducting liabilities. Insofar as official currency liabilities were small or did not vary much, the difference between the two measures would also be small. Conversely, the difierence between a gross and net indicator would be significant insofar as official currency liabilities showed a sizable movement.

B. Illustrative Scheme

Reserve Indicrtor Structure

(i) Provision would be made for the establishment of reserve norms in accordance with paragraphs 3-5 below and for the following reserve indicator points:

(*a*) *Consultation Points*: For the purpose of paragraph 6(a) of the *Outline*, the Fund could establish consultation points above and below the reserve norm which would be closer to the norm than the "first points" described below.

If it were decided to have pressures activated presumptively or automatically on the basis of a reserve indicator structure, the following indicator points with the functions described would be established.

(*b*) *First Point above the Norm*: At this level for the reserve indicator, a country in surplus would become subject to examination if it were not already under examination. After a specified period during which its reserve indicator remained at or above this level, a country would subject to pressures in accordance with *section B, paragraphs 3-4, of Annex 2*, unless the Council or Executive Board, as appropriate, decided, or had already decided, to override the indicator's signal.

(*c*) *Second Point above the Norm*: At this level for the reserve indicator, further above the norm than the first point, a country would be obliged to deposit all further accruals of reserves with the Fund and to forfeit all interest earned on the deposited reserves in accordance with *section B paragraph 5 of Annex 2.*

(*d*) *First Point below the Norm*: At this level for the reserve indicator, a country in deficit would become subject to examination if it were not already under examination. After a specified period during which its reserve indicator remained at or below this level, a country would be subject to pressures in accordance with *Section B, paragraphs 3-4, of Annex 2*, unless the Council or Executive Board, as appropriate, decided, or had already decided, to override the indicator's signal.

(ii) If it were decided to adop a primary asset holding limit as described in *Annex 6*, another point in rhe indicator structure would be required, which would relate to the level of primary reserve assets rather than total reserves.

Placement of Norms and Indicator Points

Temporary norms equal to actual reserves on a date to be agreed would be established. As soon as feasible, longer-run norms, reflecting more appropriately than existing reserves the relative reserve needs of conntries and summing to the agreed total of global reserves, would be established by international agreement in the Fund. (Further examination will be given to the desirability of basing norms on objective criteria and/on historical reserve holdings.) Countries that considered their resulting norm to be inappropriate to their cir-

circumstances would be able to present their cases for revision to the fund.

Over time, reserve changes in the direction of longer-run norms would be encouraged. As a country's reserves moved from the temporary norm toward the longer-run norm, the temporary norm and indicator points would be adjusted accordingly.

Both longer-run and temporary norms for each country would be increased by the amount of its SDR allocations, Provision would also be made for changing norms in line with agreed changes in currency reserves over time. In addition, the norms of individual countries would be subject to periodic revision to reflect changes in the relative economic size pf countries.

The reserve indicator points for each country would be established at a specified distances from the temporary, and ultimately from the longer-run, norm, so as to maintain consistency between potential imbalances, the volume of reserves and the operations of the convertibility system. Indicator points would be related to norms or to an objective key that reflects countrys' relative reserve variability. Distances would then be specified as multiples of norms or of the key, plus a small constant amount to provide additional flexibility in cases which would not normally have significant international repercussions. The key would be subjeet to periodic recomputation and revision by the Fund.

Participation

All countries would have defined norms and reserve indicator points. Countries whose exports of depletable resources account for more in value (after adjusting for value added in extraction, processing, and shipping) than the value of their current net domestic capital formation would be permitted to exclude foreign exchange holdings from their reserve indicator. Such holdings would similarly be excluded from the issuing country's reserve liabilities.

Other Reporting Requiremenns

Additional data would be periodically required to supplement the reserve indicator as a check against its performance, and as further material for assessment, including judgements to override the reserve indicator. Such data might include the forward position of a country's monetary authority (to be reported in confidence to the Managing Director), and foreign assets and liabilities of deposit money banks and other financial institutions to be specified. The Fund could also request additional data, e.g., the foreign assets or liabilities of governmental institutions.

Annex 2: **Pressures: Possible Forms and Methods of Activation**

It is generally agreed that provision should be made for graduated pressures in the reformed system to be available to the Fund for application to both surplus and deficit countries in cases of large and persistant imbalance. It is not agreed what forms these pressures should take; in particular it is not agreed whether there should be severer forms of pressure such as trade pressures and the publication of reports. Nor is it agreed how such pressures should be activated, and in particular whether some pressures should be activated presumptively or automatically on the basis of reserve indicators as in section B below.

A Forms

Forms of pressure which have been suggested for the reformed system include the following.

Pressures that could be Applied to Countries in Surplus

(i) A country could be subjected to a charge on reserve accumulations above a reserve norm or other specified level. The rate of charge could be graduated with respect to the size of the reserve accumulation and the duration of the imbalance.

(ii) Countries could be required to deposit reserves above a specified level with an Excess Reserves Account to be established in the Fuud at zero interest. This pressures combined with the preceeding one would amount to the payment of negative interest on excess reserve accumulations.

(iii) All or part of future SDR allocations of a country in surplus could be withheld for a specifled or an indefinite period.

(iv) A report could be published on the external position and policies of a country in surplus,

(v) Countries could be authorized to apply discriminatory trade and other current account restrictions against countries in persistent large surplus, subject to any necessary modification in the rules or practice of the GATT. This would be the most extreme form of pressure on countries in surplus,

Pressures that could be Applied to Countries in Deficit

(vi) A country could be subjected to a charge on reserve deficiencies below a reserve norm or other specified level. The rate of charge could be graduated with respect to the size of the deficiency and the duration of the imbalance.

(vii) The interest rate charged on borrowings from the Fund could be raised above the general schedule of charges.

(viii) A country's access to the resources of the Fund could be restricted.

(ix) All or part of future SDR Allocations of a country in deficit could be withheld for a specified or an indefinite period.

(x) A report could be published on the external position and policies of a country in deficit.

B. Methods of Activation

Three possible methods of activation of pressures have been considered: discretionary activation by a positive decision of the fund, and presumptive or automatic activation on the basis of reserve indicators, These methods of activation and the forms of pressures to which they are relevant. are discussed in the following paragraphs.

Activation by a Possitive Fund Decision

As regards discretionary activation, it would de possible for the fund to decide to apply any of the pressures described in A above if, following an examination under paragraph 7 of the *Outline*, it was found that a country that had previously been called upon to adopt or reinforce policies to correct an imbalance had failed to take appropriate action. Initial pressures would be of a mild form, but if imbalance persisted and the country still failed to take appropriate action more severe pressures could be applied.

Authority to apply pressures by positive decision of the Fund would rest with the Council. This authority might however. be delegated to the Executive Board, except in the case of the pressure mentioned in A (v) above. Where any pressure had been applied to a country by decision of the Executive Board acting under such delegated authority, the country against which the pressure had been applied would have the right to appeal to the council against continued application of that pressure.

Presumptive Activation

If it were decided that some pressures might also be activated presumptively on the basis of a reserve indicator structure such activation could be developed on the following lines. The pressures described in A (i) and (vi) above could begin to be applied to a country whose reserves had remained for a specified period be-

yond the first reserve indicator point either above or below the norm as described in *Annex I*, unless the Council or the Executive Board, as appropriate following an examination under paragraph 7 of the *Outline* decided, or had already decided, that such pressures should not be applied.

The charges, when applied could be computed on the basis of the accumulation of reserve above the norm for countries in surplus and on the basis of the shortfall of reserves below the norm for countries in deficit. A schedule of charges would be established that could be progressive with respect to the size of such deviations and their duration.

Automatic Activation

It has been proposed that the pressure described in A (ii) above could be automatically applied to a country in surplus whose reserves increased beyond the second reserve indicator point above the norm as described in *Annex I*. The Fund would pay no interest on the balances deposited and would return those balances to the country only as the country's total reserves declined. This pressure combined with the pressure described in A (i) above would amount to the payment of negative interest on excess reserve accumulations.

C. Discontinuation of Pressures

Appropritate provisions would have to be made for pressures to be discontinued as the imbalance was corrected.

Annex 3: **Exchange Margins and Intervention: Possible Operational Provisions with Illustrative Schemes**

Arrangements for a more symmetrical system of exchange margins and intervention might be developed on the lines of either of the systems illustrated below. In both the illustrations it is assumed that the maximum margins specified under paragraph 12 of the *Outline* would be 24 per cent on either side of par value expressed in terms of the SDR, implying that at any one time the rate of exchange between any pair of currencies should be maintained within a range of not more than 4½ per cent above or below parity*. The maximum margins to be adopted at the time when the chosen system of exchange margins and intervention is actually implemented would need to be decided in the light of conditions prevailing at that time.

A. A system based on Multicurrency Intervention

Under a margins and intervention system based on Multicurrency Intervention (MCI) the genaral obligation under paragraph 12 of the *Outline* would be for a country to maintain the spot exchange rate for its currency within specified maximum margins of up to 4½ per cent on either side of parity againt other currencies.

A number of countries (including those whose currencies were the most widely traded in world foreign exchange markets) would meet their obligations under paragraph 12 of the *Outline* by undertaking reciprocal responsibility to maintain the spot exchange rate for their currencies (the MCI currencies) within maximum margins of 4½ per cent above or below parity against each other by intervening in each other's currencies at the margins. For this purpose they would publish mutually consistent limit prices at which they would be prepared freely either to buy, or to sell, or to both buy and sell, each other's currencies.

Other countries would meet their obligations under paragraph 12 of the *Outline* by undertaking a unilateral responsibility freely to buy and sell a single intervention currency, which should normally be an *MCI* currency at margins of not more than 2¼ per cent on either side of parity.

Other countries, which in the evolution of their exchange market and intervention practices had reached an intermediate position, could meet their obligatios under paragraph 12 of the *Outline* in either of the following ways:

(a) Countries which wished to intervene in more than one MCI currency could undertake a unilateral responsibility to maintain their exchange rates within maximum margins specified in relation to their intervention currencies. Specifically they could undertake either freely to buy the weakest and sell the strongest of their named intervention currencies at margins of 2¼ per cent on either side of the arithmatic mean between the weakest and strongest of those currencies or, if they wished to intervene in all or nearly all the MCI currencies, freely to buy and sell their named intervention currencies at margins of 4½ per cent on either side of parity.

(b) Countries which wished to intervene in one or more MCI currency could undertake a unilateral responsibility to maintain their exchange rates within maximum margins specified in relation to the MCI currencies as a whole. Specifically they could undertake freely to buy the weakest and sell the strongest of their named intervention currencies at margins of either 2¼ per cent or 3¼ per cent, on either side of the arithmetic mean between the weakest and strongest MCI currencies, or at margins of 4½ per cent on either side of parity against each MCI currency.

Countries would be entitled io enter into arrengements, e.g., regional arrengements, to maintain margins among themselves narrower than the maximum prescribed under paragraph 12 of the *Outline*, provided that such arrangements and their general rules were notified to the Fund to assure their consistency with Fund obligations

Countries undertaking the obligations under paragraph 2 above would not intervene intramarginally in each other's currencies except in accordance with rules on the following lines:

(a) Intramarginal intervention should not take place without the agreement, normally to be obtained in advance, of the country whose currency was to be used for intervention.

(b) Intramarginal intervention should not widen the spread between the two currencies concerned.

(c) The further the two currencies concerned were away from their margins against each other, the stronger the presumption against intramarginal intervention.

(d) Where a country undertook intramarginal intervention it should normally do so in the currency furthest from parity with its own currency.

(e) Information about intramarginal intervention should be available through the Fund (with proper regard for confidentiality) to third countries so that they could make representations if they felt their own position to be damaged.

Countries meeting their margins obligations in accordance with paragraph 3 and 4 above would choose their intervention currency or currencies in consultation with the issuers; these consultations would aim to arrive at understandings covering standing arrangements for intramarginal intervention but would not impose any limitation upon a country's intervention to maintain its margins obligations. Where a country had an effective choiee of intervention currency for intramarginal intervention, it should preferably buy the weakest and sell the strongest of its intervention currencies.

8. The Fund would keep the operation of the arrangements with respect to margins and intervention, including intramarginal intervention, under continuous review. In particular, participation in arrangements under paragraph 2 above would be subject to a special review within an agreed period (e.g., to years) from their introduction. Countries would cooperate with the Fund to ensure that appropriate intervention facilities were available to all member countries, and the Fund would help in establishing a standard framework of of rules or guidelines as a basis for the understanding

* The parity of one currency with respect to another refers to the ratio of their par Value.

referred to in paragraph 7 above.

B. A System based on SDR Intervention

Under a margins and intervention system based on SDR intervention the general obligation under paragraph 12 of the *Outline* would be for a country freely to buy and sell SDRs against its own currency at 2¼ per cent on either side of par value in transactions directly with monetary authorities, or in transactions with commercial banks on condition that the SDRs were to be transferred directly to or from other monetary authorities. This would be designed to ensure that the exchange rates between any two currencies did not diverge by more than 4½ per cent from parity. Countries undertaking this obligawould not generally intervene in currencies at the margins They might intervene intramarginally in SDRs, subject to any rules which might be agreed, and also in currencies, subject to rules such as those set out in paragraph 6 of the system described in section A above.

2. Countries which remained closely attched to a single intervention currency which should normally be a currency undertaking the obligations in paragraph 1 above could meet their obligations under paragraph 12 of the *Outline* by undertaking freely to buy and sell that currency at margins of not more than 2¼ per cent on either side of parity.

3. Countries meeting their margins obligations in accordance with paragraph 2 above would choose their intervention currency in consultation with the issuer; these consultations would aim to arrive at understandings covering standing arrangements for intramarginal intervention but would not impose any limitation upon a country's intervention to maintain its margins obligations.

4. Countries would be entitled to enter into arrangements. e.g. regional arrangements, to main tain margins among themselves narrower than the maximum prescribed in paragraph 12 of the *Outline* provided that such arrangements and their general rules were notified to the Fund to assure their consistency with Fund obligations.

5. The Fund would keep the operation of the arrangements with respect to margins and intervention, under continuous review. Countries would cooperate with the Fund to ensure that appropriate intervention facilities were available to all member countries, and the Fund would help in establishing a standard framework of rules or guidelines as a basis for the understandidgs referred to in paragraph 3 above.

Annex 4: **Floating in Particular Situations: Possible Operational Provisions**

A. Authorization

The criteria and procedures in accordance with which, in the reformed system, the Fund will authorize countries to adopt floating rates in particular situations are not agreed. An illustrative example is set out below. Under another, more liberal, approach, a country might propose to the Fund the adoption of a floating rate for its currency, and provided that the country undertook to conform with agreed guidelines for conduct the Fund would approve such a proposal. Suggestions also been made for a more restrictive approach than the one illustrated below, under which the Fund might authorize a counrry to float only if, inter alia, it was satisfied that the fixing or maintenance of a par value would be inconsistent with the international interest.

Illustrative Example

1. The Fund would be empowered to authorize a country to adopt a floating exchange rate:

(a) if the Executive Board decided, after taking account of all the factors relevant to a country's particular situation, that floating would be consistent with the international interest and more likely to contribute to international payments equilibrium than an attempt to fix, or to continue to maintain a par value; and

(b) provided that the country undertook to conform with agreed guidelines for conduct as discussed in *sections B and C of this Annex.*

2. In arriving at its decision under paragraph 1(a) above, the Executive Board would give special consideration to:

(a) conditions of particular uncertainty regarding the future development of the country, balance of payments, in which floating might facilitate transition to a new par value;

(b) very large disequilibrating capital flows; and

(c) a rate of price inflation which was, and which was expected to continue for some time to be, substantially different from that of the country's main trading partners or competitors.

3. The Fund might establish simplified procedures for authorizing the adoption of floating rates by a country whose official reserves were at in appropriate levels or had moved inappropriately, as determined by reference to a reserve indicator. If such simplified procedures did not require a prior examination of the country's particular situation by the Executive Board, they would provide for such examination within a specified period after authorization to adopt a floating rate was given.

B. Guidelines for Countries Authorized to Adopt Floating Rates

Countries authorized to adopting floating rates would be guided by the same principles governing adjustment action as countries maintaining par values. In particular, in choosing among different forms of adjustment action domestic or external, the would take into account re percussions on other countrie as well as internal considera tions. Countries authorize to adopt a floating exchang rate would be subject to sur veillance in the Fund, in ac cordance with the procedure deseribed in paragraph 5-8 o the *Outline*; in this connectio a sizable movement in th exchange rate for a floatin currency might be taken a prima facie evidence for th purpose of paragraph 6(b) o the *Outline*. Such countrie would also, if appropriate, b liable to the pressures provided for in paragraph 10 of th *Outline*.

In relation to its, policy fo intervention in exchange markets, a country authorized t adopt a floating rate would observe guidelines designed to promote exchange market stability and the international consistency of policies affecting exchange rates and reserves. Guidelines for the reformed system will need to be developed by the Fund, taking account of experience in the interim period.* The following guidelines for the interim period, which provide the basis for a meaningful dialogue between the Fund and member countries with a view to promoting international consistency during a period of widespread floating, have been established as a starting point,

A member with a floating exchange ratc should intervene on the foreign exchange market as necessary to prevent or moderate sharp and disruptive fluctuations from day to day and from week to week in the exchange value of his currency

Subject to (3)(b), a member with a floating rate may act, through intervention or otherwise, to moderate movements in the exchange value of it currency from month to month and quarter to quarter, and i

*These guidelines have been adopted by Executive Board Decision No 4232-(74/67), adopted June 13, 19 They are contained in a memorandum referred to in that decision an should be understood in the ligh of the commentary in that memorandum.

ıcouraged to do so, if neces-
ıry, where factors recognized
be temporary are at work.
ubject to (1) and (3)(a), the
ember should not normally
ct aggressively with respect to
ıe exchange value of its
urrency (i.e., should not so
ct as to depress that value
hen it is falling, or to enhance
hat value when it is rising).

(a) If a member with a floating rate should desire to act otherwise than in accordance with (1) and (2) above in order to bring its exchange rate within, or closer to, some target zone of rates, it should consult with the Fund about this target and its adaptation to changing circumstances. If the Fund considers the target to be with in the range of reasonable estimates of the medium-term norm for the exchange rate in question, the member would be free, subject to (5), to act aggressively to move its rate toward the target zone, though within that zone (2) would continue to apply.

(b) If the exchange rate of a member with a floating rete has moved out side what the Fund considers to be the range of reasonable estimates of the medium term norm for that exchange rate to an extent the Fund considers likely to be harmful to the interests of members, the Fund will consult with the member and in the light of such consultation may encourage the member, despite (2) above (i) not to act to moderate movements toward this range, or (ii) to take action to moderate further divergence from the range, A member would not be asked to hold any particular rate against strong market pressure.

A member with a floating exchange rate would be encouraged to indicatc to the Fund its broad objective for the development of its reserves over a period ahead and to discuss this objective with the Fund. If the Fund taking account of the world reserve situation considered this objective to be reasonable and if the member's reserves were relatively low by this standard, the member would be encouraged to intervene more strongly under (2) to moderate a movement in its rate when the rate was rising than when it was falling. If the member's reserve were relatively high by this standard it would be encouraged to intervene more strongly to moderate a movement in its rate when the rate was falling than when it was rising. In considering target exchange rate zones under (3), also, the Fund would pay due regard to the desirability of avoiding an increase over the medium-term of reserves that were recognized by this standard to be relatively high, and the reduction of reserves that were recognized to be relatively low.

A member with a floating rate, likeother members, should refrain ftom introducing restrictions for balance of payments purposes on current account transactions or payments and should endeavor progressively to remove such restrictions of this kind as may exist.

Members with a floating rate will bear in mind, in intervention, the interests of other members including those of the issuing countries in whose currencies they intervene.. Mutually satisfactory arrangements might usefully be agreed between the issuers and users of intervention currencies, with respect to the use of such currencies in intervention. Any such arrangements should be compatible with the purposes of the foregoing guidelines. The Fund will stand ready to assist members in dealing with any problems that may arise in connection with them.

The Executive Board may decide to amend these guidelines in the light of experience or to adapt them to the circumstances of individual member countries, ar d in particular will give special consideration to the manner in which they should be applied by developing countries, taking account of the stage of evolution of their exchange markets and intervention practices.

C. The Choice of Intervention Currency and Settlement

In the reformed system it will be necessary to establish guidelines in relation to both the choice of intervention of currency by a floating country and intervention by other countries in a floating currency as well as arrangements for the settlement of balances of a floating currency acquired through intervention. Such guidelines might be developed on the following lines:

(a) A floating country which has an effective choice of intervention currencies should normally buy the weakest of those currencies and sell the strongest. If the country wishes to intervene in any other currency the agreement of the issuer would be required.

(b) Intervention by other countries in a floàting currency should not take place (except possibly for smoothing operations on a limited scale to maintain orderly market conditions and other small transactions) without the agreement of the issuer.

(c) Where intervention in a floating currency takes place with the agreement of the issuer, the official balances arising out of such intervention will be subject to settlement in accordance with paragraph 20 of the *Outline*. Countries which intervened to buy a currency during a specified period (e.g. one working day) immediately before approval was requested for that currency to float will be entitled to present the balances acquired during that period to the issuer for conversion.

It is recognized that, in connection with (B) and (c) above, a special situation arises in the case of countries which regularly intervene in a currency that floats. It is envisaged that this situation would be covered by arrangements similar to those set out in *section A paragraph 7 ana 8 of Annex 3*.

Annex 5; **Control over the Aggregate Volume of Official Currency Holdings: Possible Operational Provisions with Illustrative Schemes.**

The principle that the aggregate volume of official currency holdings should be kept under international surveillance and management in the Fund is generally agreed. Important questions concerning the arrangements to give effect to this principle, however. remain to be decided. Appropriate arrangements might be developed on the lines of one of the three approaches illustratted below.

The main difference between the approaches in sections A B concerns the precision with which they aim to secure international control over aggregate official currency holdings which in turn would determine the degree of asset settlement by countries whose currencies are held in reserves. The more mandatory system in section A involves international agreement in advance on the aggregate level of official currency holdings, currency by currency, and provides for specificaction by the Fund to be taken automatically if the agreed level is exceeded. The "on demand" system in section B does not involve precise limits agreed internationaly in advance but provides for Fund surveillance over the longer term trend of currency reserves and ultimately envisages some form of action by the Fund on a discretionary basis if that trend is found to

excessive. The third approach in section C seeks to ridge the gap between these pproaches; it involves intertional agreement in advance n an appropriate level of aggregate official currency holdngs, currency by currency, as the more mandatory system, nd provides for specific action y the Fund, but in the first nstance on a discretionary asis and then, if the agreed vel is exceeded by more than predetermined amount on a resumptive basis.

. A More Mandatory System

To ensure close control ver aggregate official currency oldings and to promote full sset settlement, the Fund ould periodically agree appropriate levels for the official abilities in domestic currency f countries whose currencies ad a significant reserve role. f, on the basis of monthly alculations, a country's aggregate liabilities increased beyond his agreed level (which could nitially be the level existing t the restoration of general onvertibility), the issuing ountry would redeem the increase by transferring reserve ssets in exchange for its own urrency.

Any snch transfer of reserve ssets would be made in the irst instance, in the case of countries for whose currencies substitution facilities had been established under paragraph 22 of the *Outline*, to the Substitu- Account, and otherwise to countries which volunteered or n the last resort were designated by the Fund to present he currency in question to the ssuer for conversion. In choosing countries for designation he Fund could take account of any increase in countries holdings of the currency concerned, particular increases reflecting a reduction in holdings of other reserve assets, and might also take account of the absolute level of countries' holdings of the currency.

Reliance on the procedures in paragraphs 1 and 2 above would be reduced to the extent that intervention took place in SDRs. If a multicurrency intervention system were adopted, a group of countries (which would include MCI countries but which need not be restricted to them) would undertake to present immediately to the issuing country for settlement official currency balances acquired through intervention or other transactions apart from official settlements within the group or the use of credit facilities.

For the purpose of paragraph 1 above, the official liabilities in domestic currency of countries whose currencies had a significant reserve role would be calculated on a monthly basis by the Fund, using monthly returns from those countries and also regular reports of official assets from all member countries. Official liabilities in domestic currency of the public or private sector that are included in the reserves of another member country and also any liabilities to a Substitution Account or an Excess Reserves Account that may be established in the Fund but would exclude liabilities arising out of the use of credit facilities.

In connection with official currency balances held outside the territory of the issuing country, e.g., in Euro-currency markets, which are excluded from the definition in paragraph 4 above, supplementary arrangements—such as those suggested in paragraph 23 (c) of the *Outline*—would be needed.

B. An On Demand System

To ensure sufficient control over the long-term trend of aggregate official currency balances, the Fund, in the context of its general surveillance of the long-term trend of global reserves, would be prepared, if necessary, to recommend procedures for orderly reductions in currency reserves.

Issuing countries would have the right to request other countries to limit further accumulation of balances of their currencies, on the lines suggested in paragraph 23 (a) of the *Outline*, and countries would respect such requests.

In connection with official currency balances held outside the territory of the issuing country, e.g., in Euro-currency markets, which are excluded from the definition in paragraph 4 above, supplementary arrangements—such as those suggested in paragraph 23(c) of the *Outline*—might be desirable.

C. A Third Possible Approach

To ensure sufficient control over aggregate official currency holdings and to promote a sufficient degree of asset settlement, the Fund would periodically agree appropriate levels for the official liabilities of countries whose currencies had a significant reserve role. If, on the basis of quarterly calculations, a country's aggregate liabilities increased beyond this agreed level, the Fund would examine the situation and, if it were found to reflect longer-term rather than temporary and reversible factors, the Fund could decide that the issuing country should redeem the increase by transferring reserve assets in exchange for its own currency.

In any event, if the country's aggregate liabilities exceeded the agreed level by more than a predetermined amount, the issuing country would redeem the increase by transferring reserve assets in exchange for its own currency, unless the Fund decided otherwise.

Any such transfer of reserve assets would be made in the first instance, in the case of countries for whose currencies substitution facilities had been established under paragraph 22 of the *Outline*, to the Substitution Account, and otherwise to countries which volunteered or in the last resort were designated by the Fund to present the currency in question to the issuer for conversion. In choosing countries for designation the Fund could take account of any increase in countries' holdings of the currency concerned, particularly increases reflecting a reduction in holdings of other reserve assets, and might also take account of the absolute level of countries' holdings of the currency.

Reliance on the procedures in paragraphs 1—3 above would be reduced to the extent that intervention took place in SDRs. If a multicurrency intervention system were adopted, a group of countries (which would include MCI countries but which need not be restricted to them) would undertake to present immediately to the issuing country for settlement official currency balances acquired through intervention or other transactions apart from official settlements within the group or the use of credit facilities.

For the purpose of paragraphs 1-2 above, the official liabilities in domestic currency of countries whose currencies had a significant reserve role would be calculated on a monthly basis by the Fund, using monthly returns from those countries and also regular reports of official assets from all member countries. Official liabilities would consist of all liabilities in domestic currency of the public or private sector that are included in the reserves of another member country and also any liabilities to a Substitution Account or an Excess Reserves Account that may be established in the Fund, but would exclude liabilities arising out of the use of credit facilities.

In connection with official currency balances held outside the territory of the issuing country, e,g., in Euro-currency markets, which are excluded from the definition in paragraph 5 above, supplementary arrangements—such as those suggested in paragraph 23(c) of the *Outline*—would be needed.

Annex 6: **Elasticity: Possible Additional Forms**

Besides credit facilities the following additional forms of elasticity have been suggested, but are not agreed.

A. Under a More Mandatory System

Normal settlement arrangements might be temporarily suspended or relaxed by international agreement in the Fund.

B. Under an On Demand System

The right of a member country to present currency balances for conversion into primary reserve assets would be suspended if its primary

serves exceeded a predeter-ined level (primary asset olding limit) and the settle-ent obligation of the issuer ould be correspondingly sus-ended. For this purpose, imary asset holding limits ould be established beyond hich the right of countries acquire primary reserves her than by SDR allocations ould be suspended.

. A Possible Third Approach

Unless the Executive Board ecided otherwise, the right f a member country to present urrency balances for conver-on into primury reserve assets ould be suspended if its rimary reserves exceeded a redetermined level (primary sset holding limit) and the ettlement obligation of the ssuer would be correspond-ngly suspended. (This ap-roach differs from B above n that the primary asset hold-ng limit is presumptive rather han automatic.)

Annex 7: **A Substitution Account: Possible Operational Provisions with an Illustrative Scheme**

In order to promote the esumption and maintenance f general convertibility, the ducation of the role of reserve urrencies, the development of he SDR as the principal reserve sset and the achievement of more stable pattern of reserve omposition, it is agreed that he Fund would have authority o establish a Substitution Account through which SDRs nay be issued in exchange for eserve currencies. A number f important questions would need to be a resolved before such an Account was establish-ed. In particular, it would be necessary to agree upon the precise limits for the total amount of SDRs which could be issued through the Account and upon the factors mentioned in paragraph 6 below concern-ing the terms and conditions to be applied to the substituted currency balances. One possi-ble form of a Substitution Ac-count—which provides for a continuing facility for substitu-tion up to the amount of balances outstanding at the time that the Account is es-tablished—could be developed on the lines illustrated in the following paragraphs. It has also been suggested that it might be appropriate to have a once-for-all substitution rather than a continuing facility.

Access by Holders of Reserve Currency Balances

Member countries that wished to exchange official holdings of currencies (for which substitution facilities had been established) for SDRs would be entitled to buy SDRs from the Substitution Account in exchange for such currency balances subject to any rules which may be agreed If appropriate at the time when such an Account was establish-ed, a substantial initial use of the Account might be nego-tiated. Countries would not however be able to acquire currency balances in exchange for SDRs from the Substitution Account. If the Substitution Account's holdings of a cur-rency at any time exceeded the agreed level mentioned in para-graph 2 below the issuing country would redeem the excess by transferring SDRs to the Substitution Account.

Access by Issuing Countries

Issuers of currencies for which substitution facilities were established would be entitled to buy SDRs from the Substitution Account in ex-change for their own currency to the extent of any decrease in their official liabilities in their own currency below a maximum level to be agreed, which would be the level exist-ing at the time that the Aceount is established. Official liabili-ties would consist of all liabili-ties in domestic currency of the public or private sector that are included in the reserv-es of another member country and also any liabilities in do-mestic currency to a Sustitu-tion Account or an Excess Reserves Account that may be established in the Fund, but would exclude liabilities arising out of the use of credit facilities.

Provision could be made for the issuers to amortize balances of their currency held by the Substitution Account; and to the extent that such amortization resulted in a reduction in the total of liabili-ties as defined above, the agreed level in paragraph 2 above would be correspond-ing ly reduced.

General Provisions

In accordance with the above, the Fund would be authorized to create SDRs and issue them through the Substitution Account in ex-change for currency balances either to the holders or to the issuers of such balances.

The Substitution Account would further be authorized to engage in the following operations:

(a) to pay interest in SDRs on the SDRs issued;

(b) in consultation with issuers of the currency balances received, to employ those balances in appropriate forms of investments; and

(c) to receive amortiza-tion payments in SDRs from the issuers of currency balances held in the Account and to return equivalent amounts of their cur-rency to the issuers against such payments

Prior to establishment of the account agreement would have to be reached between the Fund and issuing countries regarding:

(a) interest on Fund hold-ings of substituted balances;

(b) the denomination of Fund claims on issuing countries arising from the Account's opera-tions;

(c) the disposition of any profits and losses aris-ing from the Account's operations; and

(d) arrangements for amor-tization of substituted balances.

Procedures will be drawn up regulating the liquidation of the Account and termination of an individual country's relationship with the Account.

Annex 8: **SDR Allocation and Cancellation : Possible Operational Provisions**

It is envisaged that the exis-ting Articles of Agreement relating to the principles governing SDR allocations and cancellations would remain unchanged. The determina-tion of global reserve needs and of appropriate rates of change over time would conti-nue to be based on the use of statistical indicators subject to a process of assessment that would give due to weight to symptoms of reserve stringency or ease.

It is recognized that the determination of global reserve needs will need to be consis-tent with other provisions of the reform, in particular the arrangements for convertibility and adjustment, and that the criteria used to assess appro-priate levels and rates of change in global reserves must remain the subject of study.

It has been suggested, but not agreed, that there are a number of factors to which additional emphasis may need to be given in the future. Such factors mentioned in the Re-port of the Technical Group on Global Liquidity and Con-solidation are the following:

(a) the distribution of reserve holdings, in particular when large reserve holdings are heavily concentrated in countries that are unlikely to face com-mensurate deficits in the near term;

(b) short-term capital flows and, in particu-lar, shifts between private and official holdings;

(c) foreign indebtedness and the level of debt service payments, to the extent that these factors contribute to the vulnerability of countries to swings in their net external positions; and

(d) the possibility that the low degree of monetiza-tion of the econo-mies of less devloped areas might lead to an under-estimation of their reserve needs.

Other factors are mentioned

in the Report of the Technical Group on the Transfer of Real Resources.

Annex 9: **Valuation of the SDR: Possible Operational Provisions**

Four possible techniques for determining the value of the SDR in transactions against currencies have been elaborated as described below.

A. The "Standard Basket" Technique.

This would involve setting the transactions value of the SDR as equal to that of a basket of currencies. The amounts of each currency in the basket would be specified for a considerable period ahead, and the value of SDR 1.00 in terms of any one currency would be the value of the amounts of each of the currencies in the basket expressed in terms of this one currency at the prevailing spot rates. Under this an approach appreciation (depreciation) any currency in the basket in terms of all other currencies would raise (lower) the value of the SDR in terms of each other currency.

If it were desired to give the SDR a stronger capital value than would result from this approach, it would be possible to introduce regular, small and uniform increases in the amount of each currency in the basket. The effect of the resulting appreciation in the capital value of the SDR on its total yield could be offset by a corresponding reduction in the interest rate.

B. The "Asymmetrical Basket" Technique

The asymmetrical basket would set the value of the SDR equal to that of a basket of currencies; but whenever any currency in the basket was devalued, the number of units of that currency in the basket would be increased in proportion to the deviation of the new par value from the previous par value. When a currency in the basket floated downwards, the number of units of that currency in the basket would be increased in a simiiar way.* This would prevent exceange rate changes associated with devaluations or downword floating resulting in reductions of the transaction values of the SDR in terms of other currencies. However, a revaluation or upward float of any currency in the basket would still raise the value of the SDR in terms of other currencies as under the standard basket.

C. The "Adjustable Basket" Technique

Under the third technique, the value of the SDR would be set equal to that of a basket of currencies; but the treatment given to devaluations and downward floats under the asymmetrical basket would be extended to revaluations and upward floats as well. This would prevent the exchange rate changes associated with all par value changes and all floats from influencing the value of the SDR in terms of other currencies. Under this approach the long-term evolution of the value of the SDR in terms of currencies would be detecmined by the balance between revaluations and devalutions, so that the role of the basket would be to define where, within the margins, the precise value of the SDR would be on any day.

If it were desired to give the SDR a stronger capital value than that produced by the balance between revaluations and devaluations, it would be possible to introduce regular, small and uniform increases in the amount of each currency in the basket. The effect of the resulting appreciation in the capital value of the SDR on its total yield could be offset by a corresponding reduction in the interest rate.

D. The "Par Value" Technique

The fourth technique would involve setting the transactions value of the SDR at par, or at the some specified distance (e,g., half the established margin) away from par. This would mean that an exchange rate change that corresponds to a par value change would be fully reflected in the transactions value of the SDR against currency whose par value had been changed, and would leave the transactions value of the SDR in terms of all other currencies unchanged. Hence the change over time in the value of the SDR in terms of currencies would be determined under this approach, as under the previous one, by the balance between devaluations and revaluations. To give statistical content to this "balance" it would be necessary to make a selection of currencies and to assign weights to them, but this approach differs from the three other approaches discussed in that it would not require for its introduction agreement on a basket.

If it were desired to give the SDR a stronger capital value than that produced by the balance between revaluations and devaluations, it would be possible to do so by provision for uniform par value changes. The effect of the resulting appreciation in the capital value of SDR on its total yield couid be offset by a corresponding reduction in the interest rate,

Annex 10: **The Special Interests of Developing Countries.**

It is generaliy agreed that one of the important objectives of reform of the world monetary and economic order should be the promotion of economic development, and that to this end the net flow of real resources to developing countries should be given positive encouragement. This objective is given specific recognition in the arrangements proposed at various points throughout the *Outline*, as noted further in section A below. However, the *Outline* is concerned essentially with the monetary aspects of the world economic system, and it has been recognized that, in relation to this objective particularly, the attainment of the purposes of the reform depends also upon consistent arrangements being made in other areas, as discussed in section B below.

A. Special Provisions in International Monetary Arrangements

In discussion of the better working of the adjustment process, it has been agreed that all countries should be guided by the same principles concerning adjustment action. At the same time it has been recognized that there ares pecial characteristics of developing countries which make it difficult for them to achieve prompt adjustment without seriously damaging their long-term development programme. Such characteristics include the dependence of many developing countries upon a limited range of exports, often of primary commodities for which the elasticities of both supply and demand are low, which can give rise to particularly sharp fluctuations in their external payments. It has also been recognized that in many instances an imbalance in the external position of an individual developing country will not have significant international repercussions. While it would be inconsistent with a one-world approach to international monetary reform and with internationai payments equilibrium to exclude developing countries from the adjustment procedures on these grounds, it has been agreed that these special characteristics should be taken into account in assessing both the need for adjustment action and the possible application of graduated pressures and in considering the forms of policy action which developing countries feel it necessary to take.

It has been agreed that other countries should apply adjustmeet measures in a manner designed to protect the net flow of real resources to developing countries, by maintaining or where possible increasing aid flows to them, and by ensuring as far as possible the free access of developing countries to both the goods and financial markets of developed countries. Povision is also made for the regular review of the aggregate flow of real

*Various formulas might be constructed to approximate desired results. For example the number of units of a down ward floating currency in the basket might be increased in proportion to a weighted average of the depreciation of the Market Rate from the parity.

esources to developing coun-ries and its financing the con-ext of Fund surveillance of ne adjustment process.

Account has been taken f the special concerns of deve-oping countries in relation to lobal liquidity. In particular, t has been envisaged that bet-er international management f international liquidity should nsure the equitable distribu-ion of official reserves and of ccess to official credit facili-ies among all Fund members. Note has been taken of the rguments pointing towards pecial needs for balance of ayments financing and it has been suggested that these argu-ments should be further consi-ered in the context of future ssessments of global reserve eeds. Further consideration s being given to the Fund's ompensatory finance and uffer stock facilities. The Executive Board has been urg-d to proceed to an early for-nulation and adoption of a ew facility under which deve-oping countries might receive onger-term balance of pay-ments finance.

It has been argued that leveloping countries may have particular need for some legree of freedom to choose he composition of their reser-es, for example to enable them o hold currency balances gainst their official borrowings n certain private markets, and t is agreed that such freedom should be accommodated in the future settlement arrangemets nsofar as it is consistent with he overall objectives of the eform. For their part, the leveloping countries have re-cognized the need for inter-national cooperation in the management of currency reser-ves and the importance of avoiding disequilibrating move-ments of official funds.

Finally, the possibility of establishing a link between development assistance and SDR allocation in the context of the reform has been closely examined and the technical feasibility of different possible forms of such a link has been thoroughly explored. The establishment of a link has not been agreed. It is however generally agreed that, if a link were to be established, the amount of SDR allocations and the principal characteristics of SDRs should continue to be determined solely on the basis of global monetary requirements and that these characteristics should be the same for all SDRs whether distributed through normal allocations or through a link.

B. *The Consistency of Arrangements in other Areas*

As noted above, it has been recognized that, to attain the objective of promoting economic development, consistent arrangements are needed in other areas of the world economic system.* Specificially, this would involve arrangements for international trade under which commercial policies would be designed to encourage developing countries' exports of manufactures as well as of primary commodities. It would also involve an increasing flow of capital to developing countries, both through steps to ensure that the access of developing countries and development finance institutions to world financial markets was as free as possible from legal or administrative constraints and through an increase in official development assistance on concessionany terms to those countries which are unable to borrow in private financial markets.

These aspects of the world economic order go beyond the work on reform of the international monetary system which the Committee has undertaken and concern other international institution. It is recommended that further work should be undertaken on the following:

(a) the amounts and quality of official development assistance;
(b) a review of the policies and procedures of multilateral development finance institutions;
(c) the improvement of access to financial markets in general; and
(d) international financing schemes for commodity regulation and price stabilization.

It is also recommended that a joint Ministerial Committee of the Fund and World Bank should be established to carry forward the study of these questions after the Committee of the Board or Governors on Reform of the International Monetary System and Related Issues has completed its work, and to recommend measures to be adopted in order to implement its conclusions. It is further recommended that the proposed Committee should give urgent attention to the problems of the developing countries most seriously affected by exceptional balance of payments difficulties in the current situation, bearing in mind the need for coordination with other international bodies. It has been suggested that the proposed Committee should be set up by parallel Resolutions of the respective Boards of Governors, and that these Resolutions should provide for the participation of other international agencies, so as to ensure a coordinated approach. Among the questions that will need to be settled are the composition and procedures of the Committee, as well as arrangements for carrying out work at the technical level.

*This question was also a subject of discussion during sixth Special Session of the General Assembly of the United Nations.

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Good for a start

FOR QUITE some time the prime minister has been under popular pressure to do something about prices and under political pressure to hunt down or punish black money. Simultaneously she has also been subjected to considerable professorial persuasion and prescriptions to act against the inflationary expansion of money supply. Mr C. N. Vakil's semibombla may not have made a noise round the world as Dr Sethna's nuclear device, that was not a bomb, did, but within the country itself it is becoming increasingly clear that, while the government must deal with production in the short run as well as the long, it should address itself immediately to a corpus of policies which would help correct to some extent the imbalance between money supply on the one hand and goods and services on the other. In the circumstances there can be but little surprise that the central government has at last decided to take some action.

By impounding for a short period future increases in wages and bonuses and a part of future increases in dearness allowance the government has in fact asked earners of wages or salaries to contribute to a compulsory loan carrying, however, quite a reasonable rate of interest. This has been done at least partly to avoid the government having to pay out large amounts of money periodically to its own employees as additional dearness allowance following increases in the price index. This obligation is generating intolerable strains in the government's ways and means position but this more narrowly practical consideration apart, there is large justification for the government doing whatever it could immediately to slow down the self-defeating expansion of purchasing power in the organized wage-and-salary sector in an explosively inflationary context.

The ceiling imposed on the distribution of dividends in the corporate sector may not have the same anti-inflationary significance if only because a high proportion of dividend incomes is saved and re-invested by the recipients, but it must be easy to see that the restraining of dividends is at least a necessary political counterpart to any step taken towards regulating an inflationary increase in the flow of wages and salaries. There can be little doubt of course that the schematic details of the relevant ordinances could be improved and it may perhaps be expected that this task will be attended to when their enactment is taken up by parliament. Meanwhile there is no need for the capital market or even the stock exchanges to be thrown into a panic because of the restraint imposed on dividends.

This is not to say that the suspension of dealings in shares, or even the nervousness seen in the financial and business communities in the wake of the promulgation of the ordinances was unjustified. It is common knowledge that there has been a good deal of highly speculative transactions in the stock exchanges although this activity has been concentrated on a limited number of active shares and perhaps a certain number of new issues. At the same time there has also been a strengthening of investor arithmetic as well as psychology because of improved earnings being reported widely in the corporate sector. Announcements of issues of bonus shares have also been most helpful. Speculators may have been exploiting these circumstances—as they undoubtedly did the prospects of a reduction in the rates of income-tax at the higher levels which, in the event, were realized in the last central budget. The restraint on dividends should certainly force on a market thus excessively dominated by the bulls a technical correction which need not necessarily be deplored.

So far as the genuine investors are concerned, the dividend restraint may have an adverse psychological impact only temporarily. It is true that there may be some loss in dividend incomes to start with and the idea need not be rejected as altogether fanciful that some middle class families might be dependent on these incomes to some extent and may therefore get hurt correspondingly. But, by and large, investors may find some encouragement in a market stabilizing at lower levels of prices than in one where speculators have been continuously forcing up prices, to look for investments meeting reasonable demands of security and profitability. Provided the government follows a policy of facilitating eligible proposals for the issue of bonus shares, the immediate adverse impact of the dividend restraint may well be dissipated in the coming months.

Meanwhile it should be useful for genuine investors to remind themselves that profits compulsorily saved by companies because of the restraint on dividends would strengthen corporate reserves and should be available in the present to company managements for profitable use or investment and, in the future, to shareholders in the form of higher dividends and/or bonus issues of shares. As for new issues, it is true that the underwriters may become more choosy or even cautious hereafter, but thanks to governmental or semi-governmental financial institutions, it should not be difficult for sound

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issues to attract sufficient underwriting support. Where genuine investors are concerned, it should be far more safe to go shopping in a new issue market where a degree of discipline on company floatations is being exercised by underwriters and consequently promoters than in a market where, as has been happening recently, black money is used in unauthorized dealings to boost premia on new issues even before subscription lists are officially thrown open to public subscription. In these circumstances it is not by any means obvious that the restraint on dividends imposed now would necessarily spell Doomsday for the capital market or industrial expansion.

What should really concern us all is the question where the government is likely to go from here. The prime minister speaking in Bangalore and the Finance minister speaking in Poona have left us in no doubt that the government does propose to get going. But they have also given the impression that, as of now, they are still in the process of trying to sort out the signposts. Mrs Gandhi's declaration that she has or is asking state governments to levy a land tax or a farm tax on agriculture will set neither the Ganges nor the Krishna nor the Cauveri on fire.

In any case government securing more spending money from this section or that of the population is a matter which may produce pleasure or profit only for ministers and officials. It cannot by itself help to restore equilibrium in the economy. On the contrary, it might even work against this goal because the only possible deterrent we now can see to excessive or wasteful spending by governments, central or state, is that such expenditure cannot be financed without heavy deficit financing at a time when deficit financing has begun to threaten the political fortunes of the prime minister's party itself.

In fairness to Mrs Gandhi, however, it must be said that she has promised to place before the nation within the next two or three weeks a whole packet of proposals for combating inflation. Just as the recent ordinances have been discussed here on their merits, the more comprehensive programme of which she has given notice will also have to be examined objectively and with compelling reference to the urgent national need for improving the availability of essential goods at reasonable prices. Until then the public should suspend its judgment on the willingness and ability of Mrs Gandhi, her colleagues and her advisers to reverse and redirect those governmental attitudes and policies of the past which had stubbornly suppressed sufficient growth of investment and production in the context of a vast population grounded in poverty while rising in numbers and expectations.

Not by fertilisers alone

IN HIS convocation address delivered at the university of Poona some time ago, Dr M. S. Swaminathan, Director-General of the Indian Council of Agricultural Research, presented a review of the developments associated with the green revolution in this country. The birth of this new revolution, according to Dr Swaminathan, went back to the 1967-68 wheat season when there was a significant advance in wheat production both in India and Pakistan. The spectacular rise in production, in particular of wheat, in Punjab, Haryana and north-western Uttar Pradesh inspired an American official to coin the term "green revolution" to describe the new phenomenon; after that a number of scientists both in this country and abroad started conducting investigations about the soundness or otherwise of the "revolution".

The new agricultural technology which is now associated with the green revolution implies a number of steps, beginnng with the cultivation of genetic strains of such crops as wheat, rice, sorghum, maize and pearl-millet under agronomic conditions which would assist them to reveal their potential for high yield. According to Dr Swaminathan, the new strains or hybrids are capable of responding to fertiliser application, water and good management because of their having "a plant architecture and growth rhythm suitable for performance under a high-yield environment."

It follows that mere fertiliser application is not enough for the new high-yielding varieties of crops. Water and good management are equally important. In the context of the present fertiliser shortage, Dr Swaminathan explained how the new high-yielding varieties could be more helpful than the earlier tall varieties. Said Dr Swaminathan : "Many of the high-yielding strains divert a greater proporation of the dry matter they produce to grains. In other words, if a high yielding strain and an earlier tall variety of wheat both produced under a given state of conditions 1,000 kg of dry matter the high-yielding strain may partition this dry matter into 500 kg for grain and 500 kg for straw. The tall variety, on the other hand, may divert 250 kg for grain and 750 kg for straw. Hence the widespread cultivation of high-yielding varieties is even more important under conditions of inadequate fertiliser availability."

It is thus clear that even when the farmer is not in a position to apply adequate quantities of fertilisers, he will profit by good management of water and the use of high-yielding varieties of seeds. This is indeed cheerful news because the recent increase in fertiliser prices by 80 per cent, it was feared, would restrict their consumption and result in curtailment of crop yield. This point was further elaborated by Dr Swaminathan before a committee of agriculture of the FAO at Rome recently. He said that the assumed receptiveness of the high-yielding varieties to plant diseases and their need for high dose of fertilisers was in part based on an incomplete understanding of the characteristics of the new varieties and the way they were grown. The high-yielding varieties were not inherently more susceptible to disease than conventional varieties. The impression that they were so had gained currency because the density with which they grew, altered the crop environment which, in turn, tended to

let disease spread more rapidly. As new plant disease strains constantly kept coming up, it was the task of the plant breeders to stay ahead in the race between the new diseases and the new seed varieties.

Dr Swaminathan, however, deplored the fact that certain state governments had not taken much interest in seed production. Surely if the green revolution in this country is to have its full impact, the facilities for seed production will have to be rapidly and very considerably expanded.

Discussing the "tensions" caused by the new technology between the rich and the poor farmers, Dr Swaminathan said that they represented positive forces as most of the farmers wanted to move towards the scientisfic upgrading of their farming system. This, he said, was a big gain because "where seeds are limited action tends to be equally circumscribed." Relying on a study made by the Planning Commission, he came to the conclusion that adoption of new varieties occurred first among the large farmers. In some regions, specially in Punjab, the small farmers quickly caught up though this was not true of other areas such as Faizabad in Uttar Pradesh. In his view water being an essential requirement both for high yield and for minimising risks, the diffusion of new technology was easy in irrigated rather than in unirrigated areas. Moreover, regional imbalances depended both on ecological and socio-economic factors and not on the adoption of new technology alone.

In order to initiate farmers in the use of new technology, agricultural scientists conduct every year a large number of national demonstrations in farmers' fields. The aim of these demonstrations is to introduce to farmers the new crop varieties and multiple cropping system. Even though such inputs as seeds and fertilisers are given to the farmers, the entire cultivation is done by the farmer himself under the guidance of the scientists. Dr Swaminathan presented the results of a statistical analysis made in relation to these national demonstrations. He said that the new technology had proved equally good in terms of production in both the small and big land holdings. The conclusion that he drew from the study was that the new technology could be successfully adopted by all farmers, the only condition being that they must be able to get the needed inputs at the right time. The crop, the season and the package of services including credit made available to the farmers tended to narrow the difference between the performance of the large and the small holding. By and large, the new technology was neutral to the size of the holding provided the handicaps of the small and marginal farmers with regard to access to inputs as well as inefficient water management and pest control were eliminated through appropriate measures.

Dr Swaminathan laid great emphasis on water management. He commended a recent innovation started by banks by setting up "Integrated Farmers' Service Societies". These societies gave credit needed for the adoption of the new technology. It was ensured that credit given by banks was used for the purpose for which it was intended. Simple management principles, therefore, were highly relevant for increasing the yield from holdings, both big and small. Dr Swaminathan felt that if during March this year, a simple home delivery system of diesel oil to run tubewells in Punjab had been initiated, it would have saved much valuable time of farmers and would have eliminated much of rural anger.

One of the main problems facing this country is the minimisation of damage to crops during aberrant weather. The All-India Coordinated Dryland Farming Project at Sholapur and Mohol has thrown up a number of guidelines to derive full advantage from a normal season and also from an abnormal season. Precise instructions have been laid down for farmers to cope with the vagaries of the monsoon. But this information will reach the farmers only when selfless social leadership from university committees takes up the challenge. Again, agriculturists having small holdings need to co-operate among themselves in pest control, water harvesting, tree planting, energy recycling and post-harvest technology. Dr Swaminathan asked the Poona university to launch a dynamic programme of demonstrating the value of the scientists' principles in transforming the national endowment of this area into wealth. He asked the academic, scientific and student community to take the lead and provide the will to convert "our present problems of malnutrition, misery and unemployment into problems of the past".

Eastern Economist 30 Years Ago

JULY 21, 1944

Sir Akbar Hydari does not apparently believe in gradualness. The sudden and severe impact of his Paper Control Order on the press and publishers literally stunned the interests concerned. We all have to suffer in varying degrees in war-time, but that is no reason why the suffering should not have been cushioned off by inflicting it in stages as was done in the case of newsprint consumers. If the overall cut of 70 per cent had been spread over a period of, say, six months, it would have left some breathing space for readjustment. To the suggestion that the enforcement of the Order should be postponed to September, 1944, Sir Akbar was unsympathetic, as, according to him, it would only create complications and favour those who had chosen to disobey the government order. The concessions that were actually conceded to all the very vocal demands made at the conference held last week in Bombay were of minor importance, and the government's main scheme of drastic reduction in civilian consumption of paper was not altered by a comma or dot. Whether this successs for the government was due to the recognition of the necessity of drastic economy at the present time or only to the fact that in war-time the public must put up with draconian orders of utmost severity without question, it is difficult to say.

Paradox in jute

ALTHOUGH THE prodution and export of jute goods continue to be severely affected by the acute shortage of power, the Union Commerce ministry seems to remain unconcerned about it. In his presidential address at the annual meeting of the Calcutta Jute Fabrics Shippers Association held on June 8, Mr P. Guha Thakurtha said that "erratic and unprecedented power cuts have played havoc with the jute mills industry". He observed that continuous disruption in production owing to power cuts ranging from 25 to 60 per cent had been "exasperating". But Prof Chattopadhyaya who inaugurated the annual meeting of the association, did not say one word about the power problem. The Commerce minister perhaps seems to think that this is a matter for the government of West Bengal to handle. But since the state government has failed to evolve any scheme of rationing power, it appears that there is little prospect of any relief for the jute industry in the near future from the effects of extensive load shedding.

But then can New Delhi afford to allow the jute industry to continue in the present critical condition? The average monthly export sales during the period from October 1973 to April 1974 were about 27,000 tonnes for hessian, 22,000 tonnes for sacking and 23,000 tonnes for carpet backing but the actual average monthly production of these items was only about 25,000, 35,000 and 14,000 tonnes respectively. The production of carpet backing was "alarmingly below" export sales. Mr Guha Thakurtha declared that "we are now facing a paradoxical situation in that we are producing much less than what we have sold, we are unable to accept fresh business and are lagging well behind in delivery schedules". He declared that "this is an extremely dangerous situation which will undermine the long-term export prospects".

Prof Chattopadhyaya said that he was aware of "some resentment" among producers and shippers of jute goods against the increase in export duty. But importers of our jute goods also seem unhappy about this levy. The Commerce minister said that the decision to levy export duty was not irrevocable. But in the past the government had seldom revised it at the right time and in the right manner. The fact that Mr Guha Thakurtha described the increase in duty as "shortsighted" indicates the jute industry's strong feeling on this subject. He said that our competitive position in the USA and Canada continues to be poor while Prof Chattopadhyaya remarked that "we are still uncompetitive as compared to synthetics". Both government and industry therefore should take effective and immediate steps to improve the competitive strength of our jute goods.

The chairman of the Jute Fabrics Shippers Association referred to two other difficulties which do not appear to have received much public attention. One relates to the shipment of specialities. Though their export is supposed to be free of duty, the customs authorities have created problems by evaluating them in terms of the pricing formula for narrow carpet backing. An expert committee looked into this matter and made its recommendations about five months ago but they have not been yet implemented.

The other difficulty relates to the limitations placed on the shipments of contracts which could not be executed in time due to strike and power cuts. Mr Guha Thakurtha said that suggestions were made that such contracts should be renegotiated at high prices but "clearly this hits into the very basis of our contract and international understanding". He observed that it was unfair not to allow shipments of contracts at prices entered into in good faith between buyers and sellers if there were genuine reasons for delay in shipments. It is necessary that the government should proceed cautiously in such matters so that we can continue to maintain the goodwill of the overseas customers.

Prof Chattopadhyaya urged the jute industry and trade to extend their "full and unreserved cooperation" in ensuring a fair return to the jute growers. He said that the credit requirements of the jute growers had never been met adequately. Recently the government had persuaded the Reserve Bank to agree, on a pilot basis, to strengthen the credit machinery in three selected districts in West Bengal. But the government should also appreciate the various factors that prevent the jute industry and trade in playing their role in implementing the price support programme. For instance, transport difficulties have often dislocated the movement of jute and depressed prices. The Commerce minister also referred to the "heavy overdues" in respect of the jute supplied by the Jute Corporation this year and suggested that the industry should fully honour its commitments. This is, of course, necessary but the government should also see to it that the mills are not faced with financial difficulties because of inadequate credit facilities or other causes.

Prof Chattopadhyaya dwelt at length on the controversy relating to the government's attitude towards the jute industry *vis-a-vis* cotton textiles. A section of the press in Calcutta has been saying persistently that while New Delhi has been generously assisting the cotton textile industry in various ways it has been lukewarm or indifferent to the problems of jute. The Commerce minister said that this comparison was unrealistic. He pointed out that in the last two years there had been a marked improvement in the profitability of the cotton textile industry while for jute also there had been a substantial upswing in the overall profitability and realisations.

There is a large domestic demand for cotton textiles but for the jute products except sacking the demand is mainly from foreign countries. Moreover, the jute industry along with that of Bangladesh enjoys a semi-monopolistic position. Therefore, there is hardly any need for incentives to make its production and export economical or for diverting domestic production to meet export demand. The Commerce minister revealed that since 1968 the government had been contributing to the cotton textile industry's export promotion fund normally at the rate of five per cent of the f.o.b. value of exports in view of the irrefundable internal taxes and duties which are not amenable to the drawback procedures. For jute goods, the comparable level of irrefundable duties is between 0.5 per cent and one per cent of the f.o.b. value of exports.

The Commerce minister is, of course, right in highlighting different aspects of the cotton and jute industries and in stressing the point that both of them cannot expect and do not need the same type of incentives. But the jute industry's suggestion has not been that it should be given any special incentive but that the various constraints on its production and exports should be removed. Mr Guha Thakurtha said that the export trade in jute goods had been serving the nation for over a century, that it had weathered many a crisis and that its history was a story of challenge and response. But he regretted that this industry was not treated any differently from industries which catered only for the domestic requirements. The Commerce ministry should ponder over the significance of this statement and ensure that the jute industry gets a fair deal.

Power priorities in Tamil Nadu

THE IMBALANCE in the power situation in the southern region has been forcefully brought out in recent months with Karnataka being obliged to raise the power cut to 60 per cent from 25 per cent, and Tamil Nadu to 60 per cent from 30 per cent in respect of the requirements of HT consumers. In Andhra Pradesh too there are curbs ranging between 10 and 30 per cent. Even in Kerala it became necessary to suspend export of power to Tamil Nadu as the hydel reserves declined to the lowest level in recent years. The failure of the south-west monsoon for two seasons in succession in Karnataka and that of the north-east monsoon in Tamil Nadu in the last quarter of 1973 upset all earlier calculations and with the introduction of drastic restrictions on power consumption considerable loss of output of caustic soda cement, aluminium and fertilisers has been sustained by electro-chemical industries in the region. Kerala was not unfavourably affected until recently and in the absence of any pronounced increase in internal consumption it was possible to supply at least 300 million units annually in Tamil Nadu.

In Karnataka, however, apart from the inability to export power to Tamil Nadu which was at one stage as high as 600 million units in a year, even regional requirements could not be fully met and the question now is whether the state electricity board will be in a position to remove the cut altogether even if the Sharavathi project did not suffer on account of inadequate rainfall. With a large number of new industrial units coming into production the expansion of capacity of the Bhadravathi Iron and Steel Works and cement units the growth in power consumption has exceeded uncomfortably more than earlier expectations. The generating capacity in the four states is now around 4500 MW consisting of hydel capacity of 2900 MW and thermal for 1500 MW. The whole of the installed capacity in Kerala and Karnataka is hydel in character and only in Tamil Nadu there is a large element of thermal capacity of 985 MW out of a total of 2250 MW.

In Andhra Pradesh of course Kothagudem and Ramagundam stations account for over 500 MW of thermal capacity, which is over 75 per cent of the aggregate capacity. But in absolute terms Andhra Pradesh's capability is less than of Tamil Nadu. What is however ironical to note is the fact that Tamil Nadu has been less seriously affected immediately by the delay in the onset of the south-west monsoon because of thermal power generation of over 13 million units daily. With generation of around four million units daily it is possible to meet a demand of 17 million units even with a 60 per cent cut. The requirements of other regions on the restricted basis do not amount to more than 20 million units daily.

The situation would not have been so bad in Tamil Nadu if the Neyveli Lignite Corporation could increase its output of lignite substantially and use the capacity of the thermal station more effectively. Unfortunately, the delay in implementing the modernisation programme of mines and acquisition of mining machinery has compelled the central government to convert two boilers to oil firing. These boilers have been in use for the last two months and the annual outlay in foreign exchange is estimated at over Rs 10 crores while the foreign exchange content of mining machinery in the present programme for rising lignite production will be much less. Why this penny wise and pound foolish policy is being pursued is not clear as the Tamil Nadu Electricity Board is also obliged to pay over 23 paise per unit for power based on oil firing. Clearly the project for stepping up lignite output has to be implemented on an emergency basis as otherwise there will be heavy drain of foreign exchange besides accentuation of power shortage.

What are the prospects for an improvement in power availabitity in the southern region even if there is adequate rainfall in the catchment areas of the hydel reservoirs? As stated earlier, Karnataka will not be meeting its requirements even if all the units in the Sharavathi project are fully used. There may be a deficit of 300 million units. In Tamil Nadu the gap may be easily 1000 million units and in Andhra Pradesh 300 million units. Against the deficit of 1600 million units of these three states Kerala will have a surplus of only 300 million units.

The gap will be very much more if the energisation of pumpsets is carried out vigorously and the expanded capacity of the electro-thermal units has to be activised. Additional capacity between now and March 1976 may not be available for more than 350 MW in thermal units in Andhra Pradesh and Tamil Nadu while one hydel unit in Idikki project may come into operation in the latter half of 1975. This additional capacity cannot provide more then 400 million units under the most favourable circumstances. It is therefore patent that the shortage of power will continue to be in evidence in 1975-76 and may deteriorate further in 1976-77 as only two hydel units in the Idikki project may be put into operation.

In view of the serious let up in power planning in all the four states in recent years and the inordinate delay in completing the Idikki project there will have to be clear thinking in respect of the implementation of new schemes on a regional basis. Karnataka has proposals for augmenting the capacity of the Linganamakki reservoir besides implementing some small schemes. No substantial relief will of course be available before the Kalinadhi project is implemented and begins to supply power in 1977-78. In Tamil Nadu small hydel projects may take shape only at the end of the fifth Plan while the Tuticorin thermal station may not come into being before 1978. Only Kalpakkam may provide some power in 1977 and that too from one unit of 200 MW. In order to avoid the shortages assuming alarming proportion in the coming years and ensure continuity of supply in increasing volume at least in the sixth Plan, the Kothagudem project will have to increase its capacity to 1000 MW from 480 MW at the end of this year. The Vijayawada thermal station too will have to be implemented expeditiously while work on the second mine-cut for supporting a 1000 MW thermal station will have to begin right from now. The Hogenekal project on the Cauvery will also have to be taken up simultaneously as it has a capacity of 850 MW. Immediate relief will of course be available only with the vigorous execution of the Idikki project in both its phases, the raising of lignite output in Neyveli to six million tonnes and the addition of four more generating sets at Kothagudem.

The union minister for Power and Irrigation, Mr K.C. Pant, was made aware of the special difficulties of the southern region when he visited Tamil Nadu recently. While there seems to be greater awareness of the crippling effect of power shortage on agricultural and industrial production it is surprising that there has so far been no great anxiety to allocate large funds for the second mine-cut at Neyveli or think in terms of expanding further the capacity of the Ennore thermal station. Even in respect of the Tuticorin project there is an unseemly wrangle between two central ministries about the desirability of hauling coal a long way from north-east India. But in the present circumstances there is no alternative to the import of coal for Ennore and Tuticorin as the second mine-cut will take several years to be completed. It is also imperative that the Hognekal project should be executed jointly by

Karnataka and Tamil Nadu as the latter can provide the necessary technical personnel and a part of the resources. The objective should be to have an aggregate capacity of at least 15000 MW by 1983-84 if the needs of the steel plants have to be met and the programme of energisation of pumpsets in Andhra Pradesh and Karnataka is to be carried out as vigorously as it has been done so far in Tamil Nadu. The existing industrial units also will be needing more power with the execution of expansion schemes. The preoccupation should therefore be with measures for augmenting power supply for quite many years.

More resources for Calcutta?

IN A study released in Geneva on June 29, the International Labour Organisation (ILO) urged "a major transfer of resources" in international aid to halt the deterioration of Calcutta which has more than seven million inhabitants and is one of the most densely-populated areas in the world. The study referred to the formation of the Calcutta Metropolitan Development Authority (CMDA) on the initiative of the government of India which has provided it with substantial financial assistance for improving the urban infrastructure, and commented that the "major constraint on the resurgence of Calcutta nevertheless remains the limited amount of resources that India can allocate to it."

The ILO is, of course, right in emphasising the magnitude of the problems confronting Calcutta but the paucity of finance does not seem to be the major impediment to the betterment of the city. On the other hand, what has held up Calcutta's rapid development has been ineffective administration at various levels, general indifference of citizens, and scarcity of various kinds of construction materials.

Since the CMDA came into existence in 1970, it has been implementing what is known as the Rs 150 crores programme for improving water supply, sewerage, drainage, garbage disposal, and transport; and substantial amounts have been spent already on these projects. The government of India has assured that it will continue to provide the necessary financial assistance to the CMDA during the period of the fifth five-year Plan. Mrs Gandhi, the prime minister, has made it clear that she is taking a personal interest in Calcutta's progress. At the 17th review meeting of the CMDA held in Calcutta on June 24, Mr A. N. Banerji, Secretary to the union ministry of Works and Housing, declared that lack of finance would not come in the way of the execution of the projects. He said that "the quantum of resources may be a point of debate but this is not going to be a constraint." The World Bank has also been sympathetic to Calcutta. It has provided the CMDA with a credit of $ 35 million and it is reported that more credit will be available from this source in the near future.

But even if the CMDA gets all the finance and foreign exchange it needs, how far will it be possible to make substantial progress in the coming months? Despite the massive expenditure on many projects in the last four years, the citizens are now getting much less amenities than before. Drinking water continues to be acutely scarce in most parts of the city. Calcutta today has far fewer buses and taxis than it had before the CMDA came into existence. There has been very little of new construction of houses for the middle and low income groups while bustee improvement has been making slow progress. The sanitary conditions in the city are appalling with heaps of garbage lying uncleared for weeks together even on important roads. Hospitals are in chaos and the situation in the educational field is also far from satisfactory.

It will, of course, be unfair to blame the CMDA for the present ills of Calcutta. It has been trying its best to improve the city in many directions but its efforts have not produced the desired results mainly because of the lack of coordination among the implementation agencies. Moreover, surprisingly, neither the central government nor the state government has given serious thought to the problem of properly maintaining the projects implemented by the CMDA. In the last week of June this year, the secretary of the Planning Commission, accompanied by some senior officers, came to Calcutta to assess the financial burden of looking after the various development projects completed by the CMDA. In the course of the discussion, the Commissioner of the Calcutta Corporation made it clear that it would not be possible for it to undertake this responsibility. He was reported to have pointed out that the corporation itself was facing serious financial difficulties and therefore any attempt to pass on to it the burden of looking after the CMDA's works would be "just a theoretical exercise". Why the corporation's finances continue to be in a mess is a different story. What is relevant in the present context is that no one seems to have any clear ideas as to how exactly are the projects, completed by the CMDA, to be maintained efficiently.

Besides, the government of West Bengal has been grossly inefficient in its day-to-day administration of the departments which directly concern the welfare of the citizens. Take, for example, the working of the Calcutta State Transport Corporation (CSTC). The CMDA has given substantial amounts to the CSTC for buying new buses and for renovating the old ones. But have the citizens benefited? Mr Gyan Singh Sohanpal, West Bengal's Transport minister, disclosed recently that, on average, 30 per cent of the state buses went out of order daily and that out of this, 50 to 60 per cent broke down at the termini.

Official investigations have shown that most of the break-downs are not genuine and that drivers abandon their vehicles on some false plea or other, The minister said that the same buses had undergone repairs again and again and that the mechanics did not attend to the repairs properly. It is obvious that the government has been unable to enforce discipline in the CSTC. Meanwhile, several hundreds of private buses and taxis are reported to have been withdrawn from service because of uneconomic working. The Health department has also been functioning in a most unhealthy manner. It is reported that pilferage of drugs, equipment, and food in government hospitals has been taking place on an alarming scale and that even some medical officers have been indulging in various kinds of malpractices.

It is clear therefore that programmes for the betterment of Calcutta have little prospects of being effectively implemented in the near future unless the state government is prepared to show some determination in enforcing discipline strictly, and if necessary, even ruthlessly. The government should deal with civic problems with realism and should not allow sentiment or politics to stand in the way. For example, pavements in most parts of the city have been heavily encroached upon by traders and others in clear violation of the provisions of the Calcutta Municipal Act. These encroachments not only disfigure the city but pose a danger to pedestrians and to the smooth flow of traffic. But the government has been wholly indifferent to this problem. It is not suggested that these traders and others should be forcibly removed fro

pavements but, surely, the problem can and should be, tackled in a planned manner.

The ILO's study has expressed concern at the high level of unemployment prevailing in Calcutta. It was expected that the implementation of the various projects of the CMDA will open up vast opportunities for employment. No estimate however is available about the employment aspect of the CMDA's programme. Though it may have created more jobs, it does not seem to have improved the overall employment situation since, in the last few years, many factories have closed, or severely curtailed production, due to the acute shortage of electricity and raw materials. House building could have given a big fillip to employment but there has been little of construction activity especially in the private sector. In these circumstances, a mere transfer of more resources, as urged by the ILO, will not by itself help the rapid resurgence of Calcutta. The problem has to be tackled energetically and imaginatively over a wide front if the people of India's largest city are to be provided, within a reasonable period, with basic amenities which have been denied to them all these years.

Backward Marathwada

THE Marathwada region of Maharashtra consists of five districts—Aurangabad, Bhir, Osmanabad, Parbhani and Nanded—which formerly belonged to the princely state of Hyderabad. Its economic backwardness, like that of Telengana which now forms part of Andhra Pradesh, is an inheritance from the past. Nearly 18 years have rolled by since the States Reorganisation Act was brought into force and the Marathwada region added to Maharashtra. But the region has remained largely underdeveloped to this day, judging by the available indicators brought together in the accompanying table. It is this situation that has led in recent months to a popular agitation spearheaded by students and supported by anti-Congress parties in the region. That regional backwardness within a state could become a politically explosive and exploitable issue has been proved again—this time by the Marathwada agitation.

The Maharashtra government's response to the agitation launched by the Marathwada Janata Vikas Parishad and sustained by students has not been panicky or unduly repressive. It is, if anything, quite constructive in some ways. The government has announced its decisions to create facilities for medical and science education in the region, to constitute popular committees for ensuring that district employment exchanges are not partial in their job-placement operations, to urge the centre to locate two industries in the public sector in the region, etc. Above all, the government has recognised the need for more energetic promotion of industries in the region. This is the task before the state-owned promotional and financial corporations already in existence.

The State Industrial Development Corporation of Maharashtra has proposed, under the Package Scheme of Incentives, to grant incentives amounting to Rs 3.6 crores to new industries in the Marathwada region during the fifth Plan period. The Marathwada Development Corporation has made proposals for a dairy project and a leather project for the region. The government's sanction for these projects is likely. This corporation, incidentally, has promoted a textile corporation for implementing an integrated powerloom project in Marathwada. The proposed outlay of the corporation in the draft fifth Plan of the state is three times its actual outlay during the fourth Plan period.

It is not quite certain that the activities of these and other state-owned corporations would still have a significant impact on the Marathwada region over the fifth Plan period. This is a reasonable doubt because private entrepreneurs are discouraged by the prospect of heavy overhead costs which, in their estimation, are not likely to be neutralised by the financial and other incentives offered through the corporations. The scope for two centre-sponsered industries in the public sector, as recommended by the state government for Marathwada, is also not clear. Perhaps, accent on the development of agriculture, irrigation, roads and road transport would create, in due course, conditions more favourable for the growth of industries, particularly agro-based ones, in the region.

Marathwada—Some Indicators of Economic Backwardness

	Aurangabad Dt.	Parbhani Dt.	Bhir Dt.	Nanded Dt.	Osmanabad Dt.	State as a whole
Gross value of agricultural product per hectare—1967-68 (Rs)	415	456	386	557	449	540
Percentage of gross irrigated area to gross sown area—1968-69	6.5	1.9	6.8	2.9	6.9	7.8
Percentage of wells energised to total wells - 1972.	19.3	27.5	11.6	65.2	36.1	36.2
Per capita value added by manufacture—1969 (Rs)	2.1	2.3	1.6	1.5	2.1	143.7
No. of factory workers per lakh of population—1971	289	101	54	432	67	1,979
Percentage of villages electrified—1972	35	29	35	39	34	39
Percentage of population covered by rural electrification—1972	52	47	52	57	48	69
Rural roads per 100 sq. kms 1969 (Km.)	2.1	4.5	1.7	7.4	1.2	12.3
No. of villages over 1,500 population not connected by all-weather roads—1969	222	133	197	146	252	3,801
Percentage of literacy—1971	29	24	24	23	28	39
No. of hospitals per lakh of population—1969-70	0.30	0.13	0.16	0.14	0.16	0.86

FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

Budgetary support for SAIL • BHEL in Nuclear Field • Engineering Exports to EEC

THE BUDGETARY support for this year's development programme of the Steel Authority of India Limited (SAIL), it is learnt, may have to be raised substantially. According to an assessment made recently, the internal resources which were expected to accrue for this purpose have not only been already eroded to a great extent but also are anticipated to go down further considerably.

Between November last — when this exercise was first made — and March this year, the rise in the cost of inputs of Hindustan Steel Limited (HSL) alone has reduced the profitability of SAIL by as much as Rs 36.7 crores. This increase in cost is shared by coal (Rs 17.6 crores), wage bill (Rs 6.8 crores), intake of petroleum products (Rs 7.6 crores), ferro-manganese (Rs 2.5 crores), and limestone, steel, etc. (Rs 2 crores). Further escalation in cost is expected to the extent of about Rs 18.5 crores—on account of coal by Rs 6.0 crores, wage bill Rs 7.4 crores, and increase in railway freight and duties Rs 5.0 crores.

retainable profit

The retainable profit of HSL this year, thus, is now expected to be not more than about Rs 5.5 crores, as against the last November's estimate of Rs 60.3 crores.

No change, however, is anticipated at present in the profitability of the other two subsidiaries of SAIL, namely the National Minerals Development Corporation and Bharat Coking Coal Limited. Their profits this year are estimated around Rs 19 lakhs and Rs 35 lakhs, respectively.

Besides the retainable profit, nearly Rs 86.57 crores are expected to be available for this year's development programme of SAIL from depreciation fund and another Rs 6.46 crores from some other sources. The total internal resources available this year, thus, may come to about Rs 97 crores, out of which slightly more than Rs 39 crores will have to be utilised for the repayment of loans. The net internal resources, therefore, may not exceed Rs 58 crores, as against the original estimate of Rs 113 crores.

capital expenditure

The capital expenditure initially proposed by SAIL for the current year was of the order of Rs 309.05 crores. It was raised by Rs 2.6 crores by including in it the science and technology programme when it was approved by the Planning Commission in January. Later on, however, the expenditure on the development programme of SAIL was scaled down to Rs 272.15 crores by reducing the original allocation for HSL from about Rs 119 crores to approximately Rs 105.5 crores that for the Salem steel plant from Rs 15 crores to three crores of rupees; for the new steel plants at Visakhapatnam and Vijayanagar from Rs 10 crores to four crores of rupees and for the NMDC from Rs 27 crores to Rs 22 crores. The allocation of three crores of rupees for the Salem steel plant, it is now felt, will have to be raised at least to Rs 10 crores in view of the work that has already been done on this project. Taking this into consideration, the total resources required by SAIL this year for its development programme will be nearly Rs 279 crores. Since the internal resources will be available to the extent of only about Rs 58 crores, the budgetary support would have to be of the order of nearly Rs 221 crores. This year's central budget has provided only Rs 160.14 crores for this purpose. The additional provision required is approximately Rs 60 crores.

The above, however, assumes that steel output by the three constituents of HSL will register a sizeable improvement this year not only over the last year's level but also over the 1972-73 production and further no change will take place in the prices of steel. As against nearly 29.88 lakh tonnes of saleable steel and 8.99 lakh tonnes of saleable pig iron turned out by HSL in 1972-73, the production in 1973-74 aggregated to 27.73 lakh tonnes of saleable steel and 7.03 lakh tonnes of saleable pig iron. This year, the output of saleable steel is envisaged to be raised to 32.80 lakhs tonnes and that of saleable pig iron to 9.7 lakh tonnes. If these targets are not achieved and the prices of different categories of steel are maintained at the present levels, the internal resources available to SAIL would dwindle further, necessitating even larger budgetary support than approximately Rs 221 crores required on current assessment. That a shortfull in this year's planned output of HSL however cannot be ruled out should be evident from the fact that till lately its three main constituent units — Bhilai, Rourkela and Durgapur steelworks—were operating only at 60 to 70 per cent capacity, as against substantially higher utilisation assumed while fixing the targets for them. This was due to the fact that coal supplies to these plants — at an average of about 28/29000 tonnes per day — were much below their normal requirements — 36,600 tonnes.

production programme

The Bokaro steel plant is not expected to make available any saleable steel this year, although pig iron, ingot steel and rolled slabs will be produced by it. Bhilai's output this year has been planned at 17.7 lakh tonnes of saleable steel and six lakh tonnes of saleable pig iron, as against 17 lakh tonnes of saleable steel and five lakh tonnes of saleable pig iron last year. The production programmes of the Durgapur and Rourkela steel plants for the current year are (last year's figures in brackets) :

Durgapur Steel Works: Saleable steel six lakh tonnes (4.01 lakh tonnes) and saleable pig iron 2.8 lakh tonues (1.1 lakh tonnes).

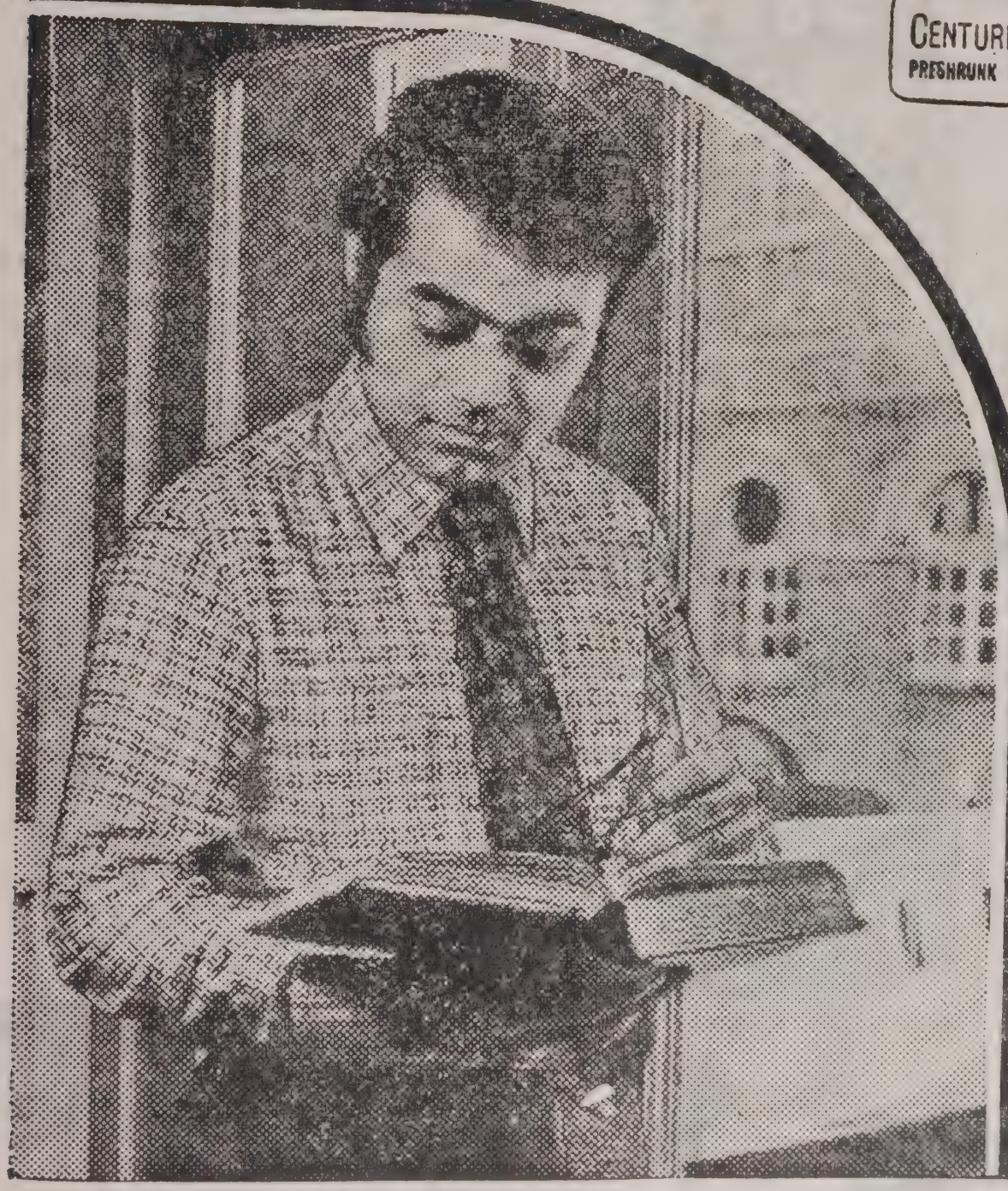
Rourkela Steel Works: Saleable steel

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lakh tonnes (6.72 lakh tonnes) and eable pig iron 90,000 tonnes (86,000 nes).

* *

Having mastered technology for the nufacture of heavy electrical equipnt for both hydro and thermal power ojects, Bharat Heavy Electricals Limid (BHEL) has taken up in right earnest e job of making the country self-sufient in the technological skills needed produce the equipment for nuclear wer plants. It has been selected by the epartment of Atomic Energy, with hich it has inculcated close association, the major potential producer of all pes of electrical equipment for setting p the future nuclear power projects. A ood deal of equipment is already being upplied by BHEL for the second 235 IW unit of the Kalpakkam project. he equipment is being produced at all ie four units of BHEL — the steam enerating equipment at Tiruchirapalli roject, the turbines at Bhopal, the turbonerator at Hardwar and some auxiliary quipment at Hyderabad. The Bhopal nit of BHEL has also manufactured a giant 250,000 KVA transformer for the Rajasthan atomic power station. It has developed technology for producing even 400 kv transformers and circuit-breakers. BHEL has also been asked to gear itself to produce all the major categories of equipment for the Narora nuclear power project.

important development

The most important development in the recent past, however, has been the successful manufacture of the reactor header assemblies which were hitherto being imported from Canada. Following the Pokhran range underground explosion of a nuclear device a few weaks ago, the Canadian firm from which the supplies of reactor header assemblies for the second unit of the Kalpakkam project had been arranged, has expressed its unwillingness to supply them following the restrictions placed on it by the Canadian government. The Tiruchirapalli unit has taken up the challenge and has started manufacturing these assemblies.

With a view to meeting the future requirements of the atomic energy programme of the country, BHEL has also taken a decision to develop its own design and engineering. It will as well be procuring itself the necessary raw materials which at present are being arranged by the Department of Atomic Energy.

Bharat Heavy Electricals is also closely associated with the Department of Atomic Energy in the setting up of the fast breeder reactor of Kalpakkam based on sodium technology. This reactor is expected to be put into commercial operation in the eighties. The Tiruchirapalli unit would be manufacturing and supplying IHX heat exchanger and steam generators for this fast breeder. The newly set up research and development division of BHEL at Hyderabad has put forth specifications for the design of 15-18 MW rating turbine and its feed cycle and they have been approved by the Kalpakkam reactor research centre. The steam parameters of this turbine are rather high compared with those of a conventional set of this size. But the problems involved have been successfully tackled.

For the equipments for fast breeder reactors, BHEL ultimately intends to develop its own design. For the time being, the technical know-how for them has been arranged by the Department of Atomic Energy from France. The efforts of BHEL would be for developing designs for equipments needed for the future commercial reactors of 500 MW and above. Some additional machinery obviously will be needed for undertaking the manufacture of these equipments. It is felt that there would not be any difficulty in setting up these additional facilities.

* *

A high-powered delegation of consultants and representatives of construction and engineering firms of the European Economic Community is expected here in the near future to identify areas in which our engineering concerns can meet the requirements of the EEC countries. The EEC is reported to be interested in utilising the spare capacity of our engineering undertakings in view of the rapidly mounting wage costs in western Europe.

With a view to improving the utilisation of capacity in our engineering industries another step that is being taken is to enter into a collaboration agreement with a US concern for the manufacture of oil rigs. Bharat Heavy Electricals proposes to set up an assembly unit for this purpose. It will produce the electrical equipment for oil rigs itself and depend upon other engineering units for the supply of various other sub-assemblies.

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Taxing farm incomes

S. S. Johl

THE COUNTRY needs mobilization of additional resources from every possible source and from all sectors of the economy. Consequently there is need to carefully review the possibilities of rationalising the tax structure in order to distribute the tax burden equitably and maximise the tax yield. The agricultural sector cannot be considered as an exception to it. It must however be taxed rationally. A lot of literature is being put out simply to show that the agricultural sector is undertaxed. The article by Bhargava and Srivastava in *Eastern Economist* dated June 21, 1974 is an example. The authors have tried to justify the imposition of additional taxes on the agricultural sector and have preferred income tax in place of land revenue which they consider is, in a sense, a regressive tax, because land revenue is charged on per acre basis at flat rates.

invalid reasons

The authors have attempted to show that the agricultural sector carries relatively a lower burden of taxation. The contention is supported on the basis that the percentage of land revenue and agricultural income tax to the total revenue from the state taxes is low and is decreasing. The direct tax burden on the agricultural sector is shown to be decreasing at the margin; the same coefficients are shown to be increasing in the non-agricultural sector. These are not, however, valid comparisons and do not provide any reasonable basis to suggest that the agricultural sector is undertaxed.

One basic fact however is ignored that with only about 46 per cent of the GNP generared in the agricultural sector, it gets distributed over 80 per cent of the population of the country. The rest, about 54 per cent of the GNP generated in the non-agricultural sector, is distributed amongst only 20 per cent of the (urban) population of the country. Per capita income and disparities in income are, therefore, much higher in the non-agricultural sector compared to those in the agricultural sector. It is but natural, therefore, that in an absolute as well as relative sense, the non-agricultural sector should show higher tax yield. Even otherwise in a growing economy, the share of agricultural taxes in the total tax revenue is bound to keep declining. This is amply supported by the history of taxation in all the developing and developed countries. So long as the total tax yield from the agricultural sector keeps on increasing the decrease in relative share of this sector should not cause any alarm.

misleading arguments

To compare, in relative as well as absolute terms, the tax burden on the agricultural sector with that on the non-agricultural sector in the manner it has been done by Bhargava and Srivastava is thus totally irrelevant. Arguments based on such an analysis mislead the readers as well as the policy makers. The Reserve Bank of India statistics quoted by the authors themselves show that the top 20 per cent of the rural households which might be having an annual income of over Rs 10,000 per household take away 39 per cent of the personal income in the agricultural sector. This means 16 per cent of the total population (20 per cent of 80 per cent of rural population=16 per cent of total population) appropriates only less than 19 per cent of the GNP.

Even this low degree skewness in income distribution will be smoothing out with the imposition of new ceilings on land holdings in the country. This is the only group in the agricultural sector which can be taxed, yet here less than 19 per cent of the GNP distributed over the 16 per cent of the population will provide a much lower per capita or per household income than 54 per cent of the GNP distributed over 20 per cent of the population in the urban sector. Further very acute disparities in the distribution of income persist in the non-agricultural sector. According to the Monoplies Enquiry Commission in 1965 only 75 business groups owned 46.9 per cent of the assets of all the non-government and non-banking companies.

no need for exasperation

The tax yield from a sector is a function of sectoral share in the GNP, the proportion of population supported by the sector and the degree of disparity in the income distribution. Keeping in view the situation in agricultural and non-agricultural scctors in the context of these factors one should not be exasperated at the relatively lower and even decreasing share of agricultural sector in the total tax effort. What needs to be appreciated is that the tax should be borne by the persons who are capable of bearing it. The disparities in the distribution of income makes it possible to tax the people who get higher incomes. It is not only a question of sectors; they are very poor people in richer sector and very rich people in the poorer sector. In the agricultural sector no one would, therefore, deny the need to tax the higher income groups. This does not need any emphasis or justifications of the type provided by Srivastava and Bhargava and many others on familiar lines of comparative tax burden on the agricultural and non-agricultural sector.

Once agreed that the upper income group in the agricultural sector needs to be taxed for mobilization of resources for development purposes, the question arises how to do it? The traditional approach adopted by many economists and policy advisers banking upon income tax is unworkable in practice and gets loaded with irrationalities when it is applied to the agricultural sector. No doubt, u

ately the tax burden should fall on the asis of incomes earned, yet many practi- l difficulties involved in the assessment f actual incomes should not be lost ght of.

When it comes to the application f traditional methods of evaluational in he agricultural sector, it faces unsurmoun- able difficulties. Invariably the evaluation ees paid by the farmers exceed the amount f the actual tax. Income tax assessments nd the agricultural wealth tax evaluations re among the cases in reference. Theore- ically it all looks simple and straight but n practice the illiterate and semi-literate armers suffer a great deal of harassment t the hands of tax officers, evaluators nd the tax practitioners. Whatever nay be the value of the taxes to be im- posed, ultimately the ideal tax judged from he angle of simplicity, equity and yield hould be based on land in the agricul- ural sector because incomes in this sector re inextricably linked with the acreage wned and operated by the farmers. Pro- gressiveness in the tax can be introduced hrough a system of slabs and graded axation. For example first five acres or so of land can be exempted from the ax; 5-10 acres can bear a taxation of say Rs α per acre; 10-15 acres at the rate of Rs $(\alpha + a)$ per acre and 15-20 at the rate of Rs $(\alpha + a^2)$ per acre and so on.

land-based industry

It is to be appreciated that the agri- cultural industry is unique in its nature as the production is land-based and the income to be assessed depends on the size of the land holdings. We may name it land revenue, land tax, agricultural holding tax or may use any other nomen- clature, the agricultural tax has to be based on the size of the land holding and land slabs and graded taxation can be used to introduce progressiveness. This will keep the systems simple and intelli- gible to the farmers, will not involve the help of evaluators and tax-practitioners and will also leave no discretion with the tax officers. Once imposed on acreage basis on a progressive scale, the revenue can be collected even in kind, which has its own merits. In mobilizing agricultu- ral surpluses traditionai system of land revenue is a tried and tested method over centuries. Modifications in this system can be usefully introduced for imposing or enhancing tax on the persons who have the capacity to bear the burden, rather than coining out some sophisticated taxes based on the spurious justifications adduc- ed from the aggregative type of analyses, as evidenced in the article under reference, which may be totally unworkable and completely impracticable.

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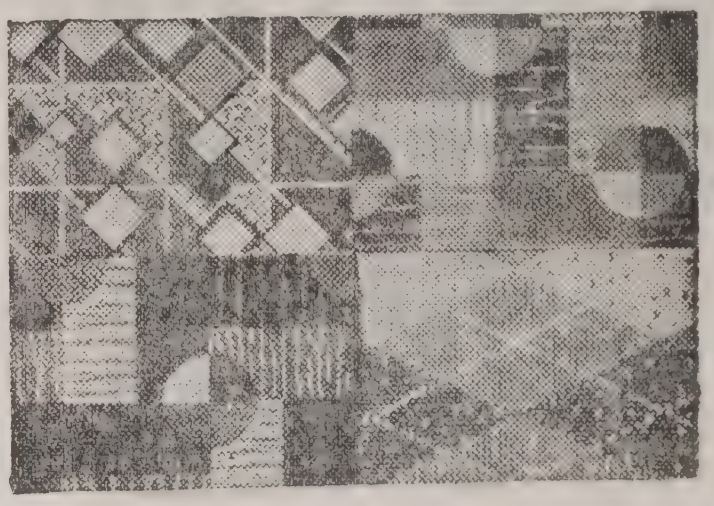
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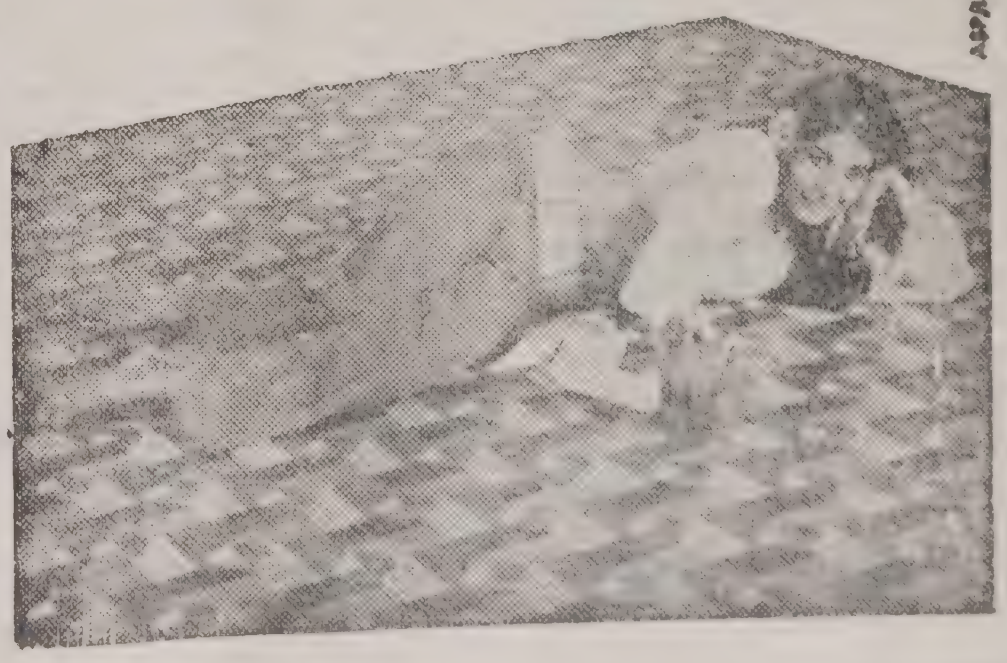
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Involvement of EEC banks in industry

Jossleyn Hennessy

London

WINDOW ON THE WORLD

I

A Comparative Study

THE MAJOR banking groups of Europe represent a large concentration of financial power and resources and one of the long-run issues facing the European Economic Community is how the banking systems of the member states can best be adapted to promote the EEC's well-being, both by improving the efficiency of its industries and by serving the Community's broader social goals.

A major question is the involvement of banks in industry which occurs at all levels, from the supply of important services—such as a rapid money transfer mechanism or the management of stock exchange issues—to the provision of finance from their own resources.

The straightforward commitment of financial resources by a bank to its customer is, however, the most plainly evident form of involvement. The obvious question is: In which member states does bank lending to industry represent the greatest share of their total lending?

Unfortunately, the banking structures of member states are diverse. Furthermore, the definition of a 'bank' differs between countries, as also does the classification of industries.

First, the type of bank included varies. The figures obtainable from the EEC countries vary from: commercial banks in Denmark and the Netherlands; all types of public and private credit institutions in France and West Germany; the associated (clearing) banks in Ireland; and all banks operating in the U K, which are required to observe the Bank of England's 12½ per cent reserve asset ratio. Thus the West German figures reflect the inclusion of savings and other banks, which lend large amounts for housing, whereas building societies are excluded from the UK figures.

Second, the figures for France and the Netherlands concern only larger lendings —above the equivalent of approximately £60,000 in the Netherlands and and £10,000 in France. Such a classification would probably understate the amounts lent for consumer and housing finance, where the average transaction is usually smaller.

Third, the UK figures are distorted by the inclusion of Euro-currency dealings. Much of this business is lending to foreign companies in foreign currencies, often by foreign banks, so that it has little connection with the involvement of British banks in British industry.

The extent of banking involvement in industry is conditioned by a variety of factors in different member states. In some countries, notably Italy, the state is heavily involved, with the object of influencing industrial development in ways judged desirable from broader social goals—specifically the development of the south.

In others, such as France, the state has extensive control over the nationalised deposit banks but appears breadly content to let them be run in a similar way to the private deposit banks, while the 'banques d'affairs' (merchant banks) are often as much industrial holding companies as banks. In many member states the banking systems are regulated by laws devised after the financial crisis of the 1930s to separate the provision of short-term finance from long-and-medium-term lending; these laws were often framed at a time when there was concern about excessive power concentrated in the hands of the banking system. Currently there seems to be a broad trend towards the 'universal' bank, and laws passed in the 1930s are being re-examined or have already been reshaped. The point is that bank providing a wider range of services for their clients are bound to become more closely involved in the clients' financial management systems.

II

West Germany

Industrial involvement is probably most extensive in West Germany. Since West Germany is often held up as an example which should be followed in the UK, let us look at the system in some detail.

The major West German commercial banks—the Big Three—had their origins in the 'house bank' system, whereby banks were closely associated with the activities of particular industrial groupings.

After World War II, however, the Big Three, the Commerzbank AG, the Deutsche Bank and the Dresdner Bank, began to extend their activities in the personal and other sectors, while the savings banks increased their industrial lendings, so that by mid-1973, 26 per cent of manufacturing industry finance was from savings banks, compared with 28 per cent from the Big Three. The savings banks are relatively fragmented, but their central institutions, the Gironzentrale, have been competing aggressively for industrial and international business.

The outstanding feature of West German banks' provision of finance to industry is that a substantial—and rising—

pportion of it is long-term. In the UK, a bank were involved, such finance uld typically be provided by a merchant nk, though the clearing banks are ving towards this kind of operation her or through subsidiaries through the rent bank. The difference in West ermany is that the banks have been ccessful in raising longer-term funds, th through the issue of bank bonds and rough savings deposits. These are bject to a minimum statutory notice three months, though in recent years e tendency has been to agree on a longer riod of notice, enabling the deposit to rn a higher rate of interest. The governent granted generous tax advantages for vings deposits of over four years' duion during the 1950s and 1960s. It is rhaps not too much to say that it has en their success in raising longer-term nds which has enabled West German anks to contribute to the country's dustrial strength.

West German banks' involvement in dustry is not merely financial. Many ank officials hold industrial directorships -indeed one banker has held directorips in twentyfour major companies multaneously. However, the 1965 mpany law limited the number of outde directorships that an individual can old on the grounds that no man could evote adequate attention to a large umber of companies and 15 is now the aximum.

The banks also have seats on the stock xchanges and execute orders both for heir customers and on their own account. Over the years, by taking equity stakes n particular companies, they have built p substantial industrial holdings. In ddition, because West German investors lmost invariably deposit their shares vith a bank, they have acquired control ver many proxy votes, and it has been stimated that as a result of these two actors West German banks control over 0 per cent of the capital of West German tock companies. The 1965 company aw, however, laid down that a bank must nform clients whose proxies it holds of he way in which it intends to vote, and sk for their instructions, although, if no nstructions are given, the bank may still ote as it sees fit.

III

France

The systems of some of the member tates tend to be made up of elements from each of the three different poles represented by Italy, West Germany and the United Kingdom,

In France, for example, the specialisation found in the UK between clearing and merchant banks is reflected in the division between the 'banques de depot' and the 'banques d' affaires'. The latter have close links with industry —in one case the staff of a banque d' affairs has over 300 company directorships between them—and are often major industrial holding companies. In contrast, the deposit banks were forbidden to take more than a 10 per cent share in industrial companies until 1966, and the liberalisation of that year, which was designed to break down the barriers between the two types of bank, only raised the total to 20 per cent. Since this liberalisation, however, the banks have tended to move into providing corporate finance and services rather along the lines practised by the banques d' affaires, so that here, as in the UK, there is a tendency for the dividing line between deposit and merchant banks to break down.

IV

Italy

In Italy, the system is in almost complete contrast with that in West Germany Although the public sector controls important parts of the West German banking system (through the medium of the savings banks and Gironzentrale, which tend to be publicly owned and have strong links with local authorities) public ownership of the West German 'commercial' banks is unimportant. In Italy, however, the state controls (directly or through Institute per la Ricostruzione Industriale, the holding company) the nine largest banks, accounting for 45 per cent of banking activity, and in addition most of the major special credit institutions are also state-controlled. The 'ordinary credit banks' may not accept deposits of longer than 18 months nor lend for longer than 12 months, so that the West German banking technique of attracting long-term funds to re-lend long-term is denied them. Nor, under normal circumstances, may Italian banks invest in shares—again in contrast to the West German practice—but they may use their clients' proxies on shares deposited with them,

The direct financial commitment of the Italian banking system to Italian industry is difficult to measure because complete figures are not available. However, the Banca d' Italia has published a survey of 165 important manufacturing companies (privately and publicly owned).

It is plain that the last item (share capital and others) which may be loosely defined as internal funds, has tended to decline while debts to banks and credit institutions have risen. In particular, the high proportion of the latter to the total reflects the significant role of the special credit institutions.

One reason for this is the weakness of the Italian stock exchange, but this itself arises partly because 80 per cent of all security transactions are carried out by the banks outside the stock exchange, a practice which was stopped in West Germany in 1968. Until this weakness is remedied, it is likely that companies will continue to obtain long-term finance from the special credit institutions, unless the 1936 banking law is amended so as to permit the banks to provide longer-term industrial finance on their own account; moves have been made towards this. At present the banks supply long-term funds indirectly because they subscribe heavily to bonds, many of which are issued by the medium and long-term credit institutions which then lend the funds to industrial companies.

V

United Kingdom

The situation in the UK is completely different, and indeed the three countries — West Germany, Italy and the UK —might be considered as three paradigms of the possible future of European banking.

Unlike both West Germany and Italy the UK public authorities do not control large sectors of the banking system; as in Italy, but in contrast to West Germany, the major deposit banks have traditionally confined themselves to providing only. short term finance, though in the UK this is because of long-established free enterprise prudence, not from socialist legislative restraint.

Furthermore, the London stock exchange, and through it other financial institutions such as the insurance companies, has a more important role in providing longer-term finance than in either West Germany or Italy.

The London stock exchange, until governments began to interfere with it, was the most efficient in the world and is still one of the British institutions envied by well - informed foreigners.

In addition, there are the specialised facilities available from merchant banks,

which do not exist in any directly comparable form in either West Germany or Italy. Althongh individual West German and Italian private banks do offer specialist services, the merchant bank is an essentially British institution.

The principal British deposit banks, or clearing banks, do not normally take equity stakes in their clients, nor do they exercise substantial voting power through proxy votes since this custom has never been allowed to develop.

Thus, in contrast to the merchant banks which do become closely involved in the affairs of their clients, perhaps, for example, by putting their nominees on the board of the company, the clearing banks have tended to feel that such close involvement is not suited to their method of operation, which is to ensure that the balance sheet of a company is sound and then to make available short-term and, ideally, self liquidating finance.

VI

The Smaller Countries

In Belgium a rather similar split exists: Belgium banks had large stakes in industry until 1934, but the financial crisis of that period led to a new banking act — as in Italy— which aimed to separate the provision of short from medium and long-term finance. The deposit banks were forbidden to hold equity in non-banking companies; and personnel engaged in the daily management of such banks were forbidden to hold directorships in non-financial companies. Although one or two banks are intimately linked with the great holding companies which have dominated Belgium, the government has in the past prevented substantial industrial lending: until 1962 the 'cover ratio' imposed required nearly two thirds of banks' short-term deposits to be held in government debt. During the 1960s they began to develop their industrial lending but have been held back by government restraints.

In Denmark, where banks are broadly divided into commercial and savings banks, industrial lending is chiefly confined to the former. Again, the managements of the banks are forbidden under the 1930 Bank Act to hold appointments in other types of business outside finance. Manufacturing industry also obtains finance from the mortgage bond market for longer-term needs.

In Ireland the involvement of the banks in industry, as might be expected, is along lines similar to that of the UK, The associated banks (or clearing banks) provide mainly short term finance. However, they have been moving to a system whereby all non-seasonal lending is to be put on a term loan basis, in order to prevent the unpredictable fluctuations which can occur in a bank's total lending under the overdraft system. This will tend to encourage lending based on projected cash flow rather than, as in the UK on balance sheets, and may encourage the Irish banks to become more deeply involved in the financial management of their customers. The non-associated banks include the merchant banks, foreign banks branches and the industrial banks. The last mentioned are involved in industrial loans, equipment leasing, block discounting, contract financing and other industrial finance techniques. However, a considerable part of their lending is in fact for consumer purposes, so that the name is slightly misleading.

The Netherlands' deposit banks mainly confine themselves to providing short-term finance and to some extent medium-term finance as in the UK. A company requiring long term funds would normally be introduced by its bank to an institution—such as a life assurance company —which would lend against borrowers' notes (onderhandsleningen). As in West Germany, this technique is preferred to the issuing of industrial bonds—perhaps because of the lack of formalities and hence the lower transaction-costs involved. Aside from the provision of finance the Netherlands deposit banks are not greatly involved in industrial operations; they do not have substantial equity holdings, and indeed are not allowed to hold more than five per cent of a company's equity without permission from the central bank.

VII

The Future Balance

A theme that has recurred in different countries' banking systems has been the emergence of the 'universal' bank. This changing relationship between industrialist and banker implies a modification of the banking system in countries such as the UK, the Netherlands or Ireland.

In the UK, the merchant banks have long-standing traditions of close industrial involvement. The clearing and other banks and the other financial institutions such as life assurance companies, however, have no such tradition, lending mainly on the balance sheet record of the company and the integrity of the management. This practice has been criticised from several quarters.

One group of critics asserts that banks do not possess sufficient expertise to judge the vital technical aspects, arguing that French practice where the banques d' affaires have large industrial departments staffed by technical experts, would be more appropriate.

Others argue that banks and other financial institutions should intervene more actively in the affairs of companies to which they have committed large sums. The Bank of England accordingly set up, with an observer from the clearing bank, a 'Working Party on Industrial Management and the Institutional Investor', whose terms of reference were to try to set up an organisation which would stimulate action to improve efficiency in industrial and commercial companies where this was judged necessary'. As a result, an Institutional Shareholders' Committee was announced in April, 1973, to be administered by a joint standing committee of the associations of unit and investment trust managers and insurance and pensions funds. It will operate in secret.

Other critics have rather different aims, arguing that banks and other financial institutions should have a wider role than just seeking to 'stimulate action to improve efficiency'. Their concern is to ensure that the power of a financial institution is used in a 'socially responsible' manner and by this is meant that it should take positive steps to promote goals which are judged 'socially desirable'. This trend has gone much further in America than anywhere else—many banks lend money cheaply for low income housing, or detach volunteers from their staff to help specific projects. If the US precedent is anything to go by, pressures on the banks to take a wider view of their social responsibilities will tend to increase. This may be desirable, but situations will arise where 'social responsibility' conflicts with efficiency, and in these cases the banks will find themselves in difficultles. It is to hoped that in shaping the policies that govern the future relationships between banks and industry, national governments of EEC member states and the Commission will give some thought to these potential conflicts.

Sources and acknowledgements: The foregoing summarises a report in the latest issue of Barclays Bank Review (54 Lombard St., London EC3P: 3AH) but Barclays Bank is responsible neither for the emphasis of my summary nor for my interspersed comments.

Recessionary portents on western horizon

E. B. Brook

Vienna

EUROPE BEGINS its two-month holiday season in an uncommonly cautious mood. Even the habitually booming tourist industry is lagging. Spain, which has seen its south-east coast grow in 20 years from a series of fishing villages into a palm-tree-cum-skyscraper complex of mass tourism where an unbooked bed in high summer has been as rare as coconuts at the north pole, is this year obliged to put up its prices because the tourist flood has become a moderate stream. Italy, partly because of its economic and social disturbances, will be lucky to receive half its usual number of holiday-making visitors and Austria is finding a lesser number of visitors spending much less. There are unwonted summer vacancies even on the golden shores of Yugoslavia's Adriatic riviera because the German, like the Briton, is this year inclined to cut his spending and relax less expensively in the pleasures of his own country. The number of American travellers to Europe will also be at least one-tenth fewer than usual, after a one-tenth drop last year. The tourist industry does not expect to see again in this generation the annual 15 to 20 per cent growth rates that characterized the golden years of the sixties. A good year from now on will be one of from 6 to 10 per cent growth.

general pinch

More serious matters than holiday-making are contributing to the general pinch. The serious weaknesses revealed in the world economic and monetary system in the last nine months—with the four-fold price rise for oil as the catalyst—have been due in part to the inability of inter-governmental institutions to respond fully enough or fast enough to economic changes. National governments have also been unable to keep pace with the growing interdependence of their economies which is a long-term result of the post-war integration of the world economy. The economic world is full of muddle, hesitation and anxious caution.

The OECD's advice to Britain and some other west Europeans and to Japan —all of whom will end this year with balance of payment deficits ranging from £4,500 million to £2,700 million—to impose austerity measures, restrain consumption, restrict wage increases and generally economise is typical of Europe's mood. Some sizeable measure of unemployment is regarded as necessary economically but dangerous politically. There is a nervous, hesitant, official chorus about the oncoming of a severe world recession, with the possibility of excesses and abuses of monetary practices by nations in crucial difficulties. Arab oil money seeks investment in the UDA rather than Europe because there is little outside faith in an area that gives increasing evidence of having lost much faith in itself after its period of almost flamboyant growth. In many west European states shareholders obliged to sell investments suffer serious loss of capital and even banks are nervous.

grave digger for banks

After a number of failures by "fringe" or merchant banks in England the latest shock has been the collapse of Bankhaus Herstatt in Cologne, in the heart of the thriving Rhineland in West Europe's post-war success story, West Germany. The ripples of that collapse have shaken not only the West German government and the banks investors, many of them small burgers who constitute Germany's backbone, but banks also in England and the USA. The Herstatt failure has put the whole system of bank control in the Federal Republic of Germany in question—as a merciless interviewer on the German television put it, the Federal Bank appears satisfied to act rather as the grave digger for dead banks than as a careful supervisor of their activities. Herstatt was only the latest in a growing line of west European banks to suffer heavy losses from their activities in foreign exchange workings. Earlier this year the Westdeutsche Landesbank announced it had lost £47 million in speculations in foreign exchange and the Union Bank of Switzerland lost even more in similar activities.

The Germans in particular, have acute memories of the collapse of the Austrian Credit Anstalt in 1931 which set off a chain reaction of collapses in their own financial system which did not a little to help the National Socialists to power under Hitler. Bank closures have an uncommonly nasty flavour in west Europe, particularly in central Europe, and the little man there is beginning to keep at home more than usual and his car off the roads. The bankers, who have almost all recently raised their interest rates to keep pace with other public money institutions and corporations which are having to pay unheard of interest rates to attract sufficient funds for their working. The growth of the biggest banks in every country, also is making life very difficult for the smaller money institutions.

The latest Federal German budget, with its economies in spending at home, abroad, with the Common Market and NATO and—at the cost of a cabinet minister—over aid to developing countries is the latest example of the careful, anxious housewifely mood that has overtaken west Europe, following on the economies of Giscard d' Estaing's France and the even more rigorous retrenchment in troubled Italy.

dangerous creature

The mood is overdone and will doubtless adjust to normality. but not yet. It is important that adjustment comes in reasonable time because a financially frightened west European can be a dangerous creature—as the thirties showed—and with steadily rising inflation he has genuine cause for alarm. It is important, also, that a sense of proportion be preserved—and this is more difficult. The OECD has done no good by its alarm signals. Britain has an immense imbalance in payments but it has the assets of a highly experienced capital market in which crashes like the recent German misfortunes are highly unlikely because of the formal limits on banks' open positions in trading between sterling and foreign currencies imposed by the Bank of England would check speculation in time. Britain has also Europe's most competent civil service and immense propects in the next decade with its North Sea oil. Too much reliance must not be placed on the last asset because there is no certainity about the level of oil prices and supply in six years' time, but the promise of oil liquidity is a shot in the arm for an uncertain Britain which some west Europeans envy. The most important attitude for west. Europe at present is cautious calm, not cautious alarm, and avoidance of the

hopeless but all too easy policy of boosting exports, which would only mean sharing poverty at a time when everyone is in the red.

An anxious, cheese-paring Germany can offset its banking embarrassments with the continued growth of its world-famous Volkswagen which has just put a new model on the market and by the fact that, though it grudges so much money to developing countries, it feels confident in lending Egypt 150 million marks and Yugoslavia £116 million on long-term very nominal interest at the same time as its pays annually millions of marks to Yugoslav "guest workers" and annually sheds even more millions of marks in paying for holidays in Yugoslav resorts. The French are encouraged by the mild Giscard reforms and even Italy has really more to worry about in setting its outworn administration in order than about money.

It is administration, in fact, that lies at the root of the matter. The pose-war government machinery must be adapted so that simpler and less time-consuming methods of negotiation handle the problems of interdependence among national economies. In the coming world trade talks the current competitive, position-building attitudes will not be enough, Only accelerated liberalization of world trade will mobilize investment towards the most efficient areas of production and thus produce the most effective counter to inflation.

Nepal's small industrial sector

Navin Chandra Joshi

Kathmandu

NEPAL'S small-scale industrial sector constitutes a catalytic agent in the scheme of the overall economic development of the country. This sector comprises the small industrial units, cottage and handicrafts units as also the traditional small enterprises. A majority of the small units of the modern type are located in the three industrial districts of Nepal viz., Balaju, Patan and Hetauda. At Hetauda, however, some of the units fall under the category of medium and large-scale units. Now another industrial estate at Surkhet is being set up in the near future in keeping with the need for bringing about regional balanced development.

At present there are four institutional agencies that cater for the needs of finance to the small industrial units. These agencies are (1) the National Industrial Development Corporation (NIDC), (2) the Agricultural Development Bank (ADB), (3) the Nepal Bank, and (4) the Rashtriya Banijya Bank.

The NIDC gives loan for fixed assets to projects whose total cost is limited to Rs 2,00,000. The term of this loan is normally seven years. For working capital requirements, the corporation gives loan of 1½ years' term. The rates of interest for long-term and short-term loans are 4.5 and 7.5 per cent respectively. As of January 15, 1974, the corporation had approved an amount of Rs 32,57,393 as loans to small units and financed 66 projects in the small sector. Roughly, one-fourth of the total cost of projects has been provided by entrepreneurs and three-fourths by the corporation.

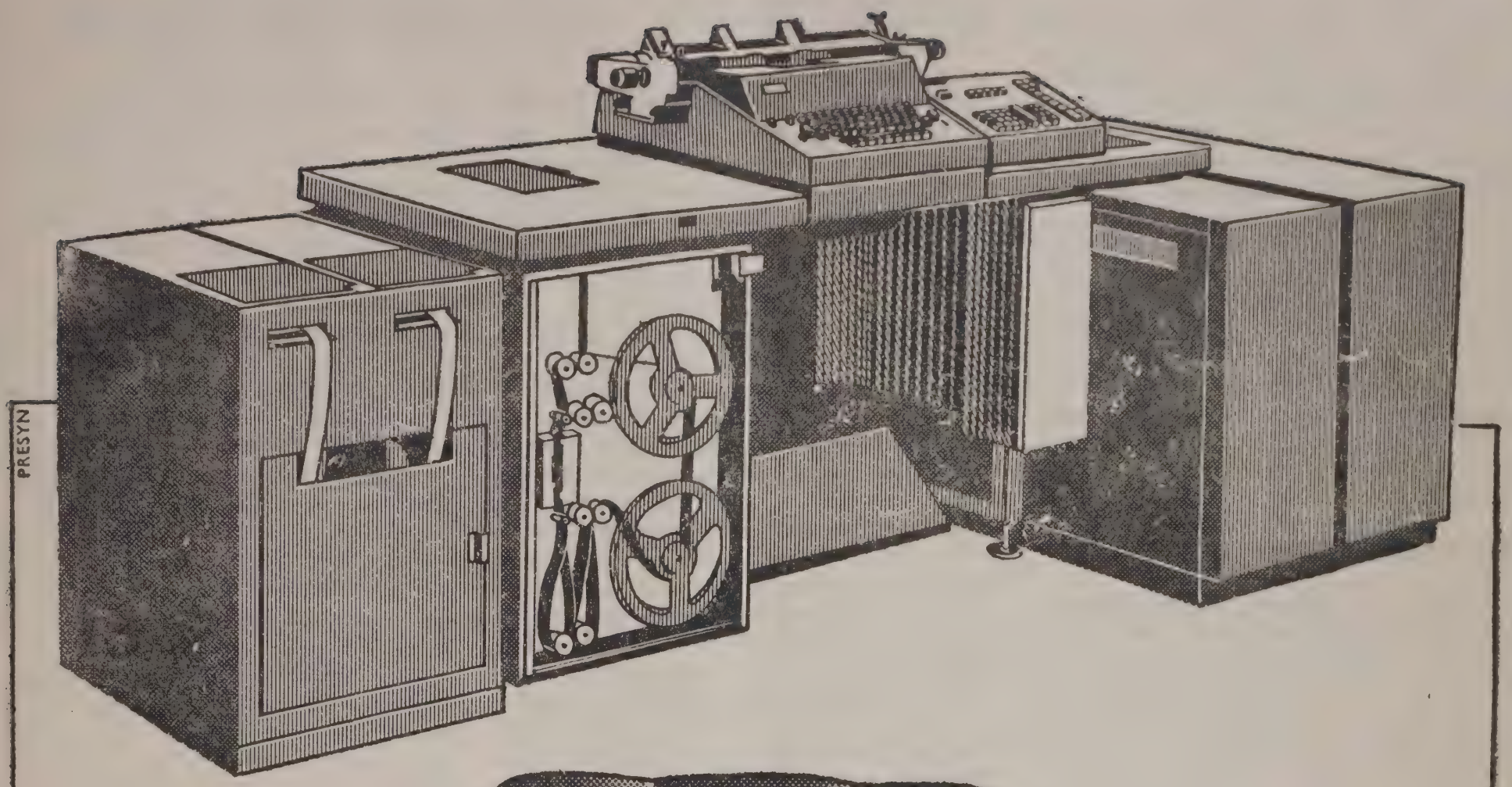
The Agricultural Development Bank gives finance to agri-business units that are categorised as fixed, mobile and moveable facilities. Its rate of interest for short-term and long-term loans ranges from 3.5 to 8.5 per cent. The ADB has so far given more than Rs 90 lakhs as loans to small agro-industries of Nepal. The Nepal Bank has also disbursed more than Rs 92 lakhs to small units so far. The Rashtriya Banijya Bank also provides working capital normally for a duration of one year and both these banks charge 7.5 per cent interest rate.

new thinking required

It is thus seen that both NIDC and ADB are giving long-term and short-term loans to small industrialists whereas the two commercial banks are concentrating mainly on providing only short-term loans. The rates of interest charged by the financial institutions and by the banks in respect of these loans are also identical. This situation calls for a new thinking and a realignment of policies so as to synchronise the lending activities of these various institutions. A pragmatic coordination of loaning policies will help avoid wastage in efforts and duplication in making same kinds of loans available. The realignment could be in the direction of the NIDC and the ADB taking up the work of giving loans for fixed capital of longer duration, say, up to 10 years, and the commercial banks' responsibility being for granting loans for working capital for a duration of, say, two years. Further, amongst themselves, the NIDC and the ADB may distribute the work inasmuch as the agro-based industries' requirements for fixed capital are met by the ADB and the rest of the industries may be taken care of by the NIDC for the same purpose. However, these financial institutions should have no difference in the rates of interest they charge as the purpose for which long-term loans are granted is the same viz., acquisition of fixed assets. Similarly, there should be no difference in the rates of interest and other conditions governing loans by commercial banks.

It is common knowledge that commercial banks' requirement of security for loans of short duration has had a dampening effect. It is, therefore, suggested that they need to grant loans on personal security of one or two well-established industrialists of the small sector. Further, the banks should allow overdraft facilities to small units so that every time they need working capital finance, they may not have to provide security, even if it is personal. This kind of liberalisation in credit policies is necessary also in view of the fact that as from the new year 2031, the Nepal Rashtra Bank has directed the commercial banks to invest as supervised loans at least five per cent of their deposit liabilities, in agriculture, cottage and handicrafts industries. Now about four crores of rupees will be made available annually as earmarked for the rural sector and, hopefully, some of the cottage and handicrafts units will be in a position to avail of this facility as the Nepal Rashtra Bank has directed the banks to give these loans on one personal security. This change in security concept needs to be extended to the urban small-scale sector as well.

Another aspect of financing small units is the introduction of a credit guarantee scheme by the Nepal Rashtra Bank. The scheme will encourage banks and financial institutions to grant loans



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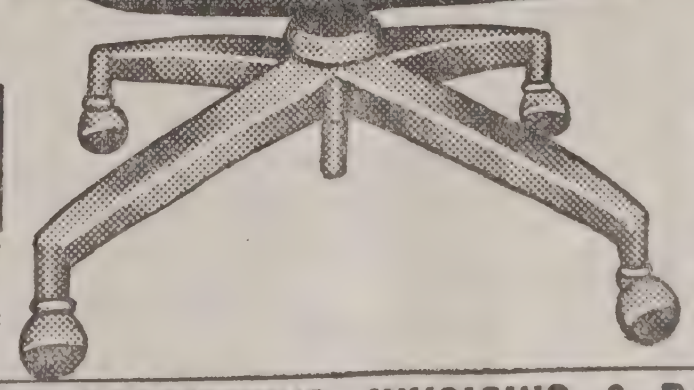
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more liberally. This will help enlarge the supply of institutional credit to small-scale units by ensuring a degree of protection to lending institutions against possible losses in respect of their advances. These advances covered by the guarantee scheme, should be both for acquiring fixed assets and equipment and for providing working capital. The guarantee should be made available on an automatic basis subject to each institution entering into an agreement with the guarantee organisation (Nepal Rashtra Bank). The guarantee cover may be up to the limit of 75 per cent of the amount defaulted or the amount guaranteed, whichever is lower. The guarantee fee charged from the member institutions should be nominal.

procedural difficulties

It may be argued as to why the guarantee function be not assigned to the insurance organisation that can easily undertake insurance against any possible risk of recovery of loans. In this connection it may be pointed out that the system of insurance will not suit in this case as the method of recovering the insured amount from an insurance organisation is such that financial institutions cannot get the guarantee amount soon. The whole gamut of legal procedure has to be gone through and, meanwhile, the financial institutions will be starved of funds that are blocked. The fundamental tenet of a guarantee scheme is that as soon as default is informed to the guarantee organisation, it makes available the guarantee amount (say, 75 per cent), leaving the balance of defaulted sum to act as a sufficient incentive for the financial institution to recover from the defaulter.

The financial institutions of Nepal, including the commercial banks, do not find that the funds available with them for small industries are really needed even though they make the funds 'available.' This situation is ascribed partly to the lack of entrepreneurship and partly to the industrial policy of the government.

As for the shyness of new entrepreneurs, the government could launch upon a vigorous programme for educating the prospective investors by means of regular publicity indicating the kinds of projects that will be profitable in the small sector, as well as informing them of the various facilities, financial or other. The procedure for credit facilities also needs to be simplified so as to be easily understood by ordinary persons to the point of prompting them to establish small units and thereby avail of the facilities. A kind of 'entrepreneur scheme' has to be initiated along with a simultaneous restructuring of interest rates on a differential basis so that for small loans or for new entrepreneurs, the rates be lower instead of there being a flat rate as at present. As the small units grow, the entrepreneurs will reconcile themselves to a stiffer discipline and to the normal cost of borrowing. These steps will help nurture the growth of entrepreneurship.

Nepal has now a new industrial policy which is quite progressive and encouraging to the small industrial sector. Industrial units with a capital investment up to Rs 10 lakhs are now categorised as small units as against the hitherto capital investment limit of five lakh rupees. The government is also setting up an industrial service centre which will provide a variety of non-financial facilities including technical guidance. The centre may ultimately go in for providing plant, machinery and equipment on a hire-purchase basis to small units. Or else, this work could be undertaken by industrial cooperatives that may be set up in the four growth centres of the country. These cooperatives can also procure raw materials for these industries. The facility of hire purchase is a long-felt need of small units. There can be no manner of doubt that with the new industrial policy coming into force and the new organisations coming up, the country's entrepreneurship must get sufficiently encouraged.

A new dimension can be given to small-scale enterprises by providing the bulk of equity capital to qualified technical persons who have limited capital resources. For example, small units may be set up by a private limited company in which the entrepreneur (technical hand) may have, say, 10 per cent of the total investment, the rest being contributed by the government. The unit will be run by the entrepreneur a its managing director and the government may have its representatives on the board of directors. The entrepreneur will be given an opportunity to purchase the government shares over a period of time. That apart, government equity shares may also be converted into long term loans, thus enabling the entrepreneur to have a higher share in profits.

Anothhr facet of financing small enterprises is the purchasing of their products through the agency of a government organisation. The government may act as a source of supplying information to prospective buyers and also feed the small units with sale orders. This is to be a free service with the objective of helping both buyers and sellers of small units' products. The government organisation will keep a constant liaison with producers and users, In this way, the assured sale of products will mitigate, to some extent, the pressing need for working capital from time to tlme. May be this kind of service can be effectively handled by a wing of the proposed industrial service centre.

In sum, the objective of the government and the financial institutions should be to secure an orderly progress of the small units financed by them so that they become models for others to emulate. And yet, facile lending to small units on the basis of half-baked schemes, will be fraught with dangers though they may put these units in a better statistical light. It must be remembered that ultimately small scale units have to stand on their own legs and, as such, there is onerous responsibility on them as well to make themselves economically viable. Their failure to do so will lead to frustration giving a setback to the much desired socio-economic transformation.

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MOVING FINGER

"The Special Correspondent in India" of *The Economist* (London) wrote in the issue of that journal dated June 22 that "her political path looks clear until the 1976 elections, with only a few minor hazards like the looming battle over the August Presidential election in the way." This was a rather curious statement considering that there was and is no question of any serious battle being joined over the election of the president. I am not saying that there will be no contest—their could be, of course— but, surely, it has always been clear that, given her party's effective control of the 'electoral college' and her own total domination of the counsels of her party, the prime minister is in a position, if she so chooses, to nominate the nearest lamp-post as her party's candidate and get away with it. Incidentally, many seem to think that this, in fact, is what is happening.

That there can be any genuine enthussiasm in the country over Mr Fakhruddin Ali Ahmed is of course out of the question. His performance in the 'Industry' portfolio was not only dismal but was even disgraceful in the sense that it was during his tenure in that ministry that it became most notorious as a nest of corruption. I am not saying that this ministry had a baby-like innocence earlier and that it lost it entirely through him or even that it is now enjoying the status which, it is claimed, must be enjoyed by any Caesar's wife. Quite obviously no bureaucratic set-up, which has so much of control to exercise over economic activity, or so much in its power to grant or withhold, can be really clean in the prevailing atmosphere of monetary greed or moral corruption, but it cannot be doubted that, by his slack and slothful ways, its ingrained habit of delaying files or deferring decisions and, above all, through his almost total lack of involvement in the urgent problems of industrialization, Mr Ahmed did contribute towards the building up in this ministry of an atmosphere and attitudes which not only put a premium on bureaucratic inertia or inefficiency but also vastly added to the opportunities for graft and corruption.

As for his custodianship of the ministry of Food and Agriculture, the current agricultural and food crisis in the country, by itself, is condemnation enough.

At the time of writing

Mr Jatti's name seems to be the only one figuring seriously in public discussions of the prime minister's probable ideas on a successor to Mr G.S. Pathak as vice-president. I am however tempted to ask whether, if somebody has to be brought from the direction of Bhubaneswar, there is not much more to be said in favour of Mrs Nandini Satpathy. Although the principal argument advanced in favour of Mr Ahmed is that, he being a Muslim, his elevation would bring spiritual and other satisfaction to the Muslim community in our country, I am not going to base my case for Mrs Satpathy on the contention that her election to the office of vice-president would lead to the emotional or other fulfilment of the women of India. My main reason, I confess, is that I personally am getting tired of having only old men occupying these ceremonial offices.

The prime minister, speaking at Bangalore, was strong on 'change.' Why should she not, for a start, make a change in this practice? Some may doubt, perhaps, that Mrs Satpathy would be able to manage the Rajya Sabha as its presiding officer. An objection of this kind, it may be pointed out, has been raised also in the case of Mr Jatti. I should think that, as between these two, Mrs Satpathy has the advantage that she could probably expect Mr Bhupesh Gupta in the Rajya Sabha to cooperate with her generally. This would suggest that, even if Mr Raj Narain—who, in any case, would cooperate with nobody,—may not be inclined to be similarly helpful, half the battle would nevertheless have been won.

Once again the polls-

ters and political journalists have been proved wrong. Almost every one who was writing on the subject was saying that Japan's prime minister Tanaka would lead his Liberal Democratic Party to victory in the election held earlier this month for the Upper House. In the event, this party won less than half of the 130 seats it contested, which means that its strength in that House is at its lowest level since the grand merger of conservative parties in 1955. The failure of Mr Tanaka's election campaign is emphasized by the fact that the big corporations were ranged massively behind his party and were helping its candidates lavishly with men and money. Again, despite the fact that, as part of its election strategy, the Liberal Democratic Party had, set up 'show biz' personalities and pop stars to contest the elections on its behalf, it succeeded only to the limited extent of getting most of these self-confessed "political illiterates" elected, without improving its prospects in the aggregate. A political development, which has caught the attention of commentators as an interesting by-product of this election, is that the Japan Communist Party has almost doubled its strength in that House. This is interpreted as the result partly of a protest vote against the conspicuous alliance between the Liberal Democratic Party and Japanese big business. Rather more wholesome was the indication given through these election results that the people resented the excessive use of money for enticing the electorate; rather significantly, the second and the third largest number of votes went to two Independents who had resolutely set their face against expensive electioneering.

The political prophets

received a black mark also in the Canadian election. It was said that prime minister Trudeau's Liberal Party could at best be expected to return to power with a slight increase in numbers but still as very much of a minority government. Actually his party managed to recover the majority it had lost in October 1972 by winning this time 141 of the 264 seats. The Conservatives came a poor second with 95 seats. Mr Trudeau, who fought this election with everything that he had, has reason to be pleased with the results, especially as his opponents naturally tried to get the utmost mileage out of the inflation which is plaguing Canada along with much of the rest of the world. His trump card evidently was his capacity to persuade the majority of Canadian voters that, given an effective majority, his post-election administration would attempt to control inflation through means which were careful enough to provide protection for the ordinary households and the interests of the small man generally. In other words, just as there seems to have been a large element of dissent or protest in the verdict of the Japanese electorate, there seems to be a conspicuous factor of hopeful expectation in the Canadian.

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World monetary reform

nternational Economic Reform—Collected Papers of Emile Despres : Edited by Gerald M. Meier; Oxford University Press; Pp 293; Price $ 7.50.

ertilizer Use In Gujarat—A Micro View : Arun S. Patel; Department of Economics, Sardar Patel University, Vallabh Vidyanagar; Pp 141; Price Rs 15.

hanging Agrarian Structure in India: G.S. Bhalla: Meenakshi Prakashan, Meerut-Delhi; Pp 127; Price Rs 30.

mbedkar—A Critical Study: W.N. Kuber; People's Publishing House; Pp 332; Price Rs 30.

rice Trends and Policies in India: A.B. Ghosh; Vikas Publishing House Pvt Ltd; Pp 255: Price Rs 35.

Multinational Corporations: B.N. Ganguli; S. Chand & Co. Pvt Ltd, New Delhi; Pp 112: Price Rs 20.

In a world overwhelmed by print, Emile Despres, professor of economics at Stanford University, chose to publish very little so far. He has now been prevailed upon to allow a wider audience share in his analytical insights and policy proposals on various problems of international economic relations. Professor Gerald M. Meier has done well to publish this excellent book *International Economic Reform — Collected Papers of Emile Despres.*

Emile Despres' influence on policy began early in 1930 with his association with the Federal Reserve System, when during the years of world deflation he advocated expansionary policies. He has remained a steadfast advocate of that policy throughout, always insisting on "transforming the conventional or timid policy into a more imaginative or bolder recommendation."

In papers written before world war II, Emile Despres raised questions in connection with Britain's and Germany's foreign exchange policies that must yet be settled if there is to be progress towards international equilibrium. Grasping the significance of Keynesian analysis, Despres was among the first to stress "the problems of reconciling a country's policy of international expansion with its external foreign exchange position." The author's paper on Germany's exchange control mechanism is notable for its early recognition of macro-economic significance of German trade and exchange control under conditions of unemployment. Despres emphasised that "the German trade and exchange controls suppressed what was latter to be termed the 'foreign leakages' and thereby were devices that permitted Germany to pursue a fiscal policy for internal expansion without encountering the balance-of-payments deficits that would otherwise have frustrated such expansion." The author also anticipated a great deal of subsequent international monetary history by indicating how and why this method of stimulating employment without running into balance-of-payment difficulties was a more desirable policy for Germany than the conventional alternative of devaluation. In another paper written after the war Despres has underscored the promising opportunity and urgent need for commercial arrangements that would achieve a genuine liberalisation of trade and some modifications of international financial and monetary arrangements. That need still remains!

As pioneer among development economists — he was an adviser to Pakistan gevernment and the first director of Pakistan Development Institute — Despres gave early warnings about some development problems that many development economists are only now perceiving. He emphasised that "the process of development in low-income countries sets up tendencies towards greater inequality; that there has been excessive concentration on the urban industrial sector; that price distortions weaken the development process; and that unemployment can remain a developing country's major problem in spite of capital accumulation and an increase in national output." How true all this has turned out to be is clear from the developments in India during the era of planning !

The author's advocacy of more ambitious policy is again well illustrated by his analysis (while discussing Pakistan's draft development plan) of how much of its development expenditure the government may finance by borrowing from the banking system without risking inflation. Observing that saving performed by the private sector is held mainly in the form of monetary assets, the author concludes that "the amount which the government can borrow from the banking system without causing inflation is not determined by conventional monetary rules of thumb but is determined by, and equal to, the excess of private sector's saving over the direct investment."

Equally forthright and unconventional are Despres' recommendation to the Malaysian planning unit advocating a vigorous use of foreign borrowing on the ground that "it is necessary to avoid not only a decline in the rate of growth but also a deterioration in the balance-of-payments position." His insistence that "vigorous growth generates its own financing" is noteworthy.

demonetisation of gold

Of immediate interest are Despres' papers on international monetary reform. Quite early he proposed demonetization of gold and the establishment of a world dollar standard. Following President Nixon's declaration of August 1971, these proposals assume significance. He was an early advocate and interpreter of the key-currency approach to post-war international monetary arrangements and demonetization of gold and from that point of view was much ahead of his times. We had to wait for subsequent events to bear him out. For example, he advocated in April 1963 the establishment of the two-tier gold market, nearly five years before that policy was adopted. He forecast the dangers of international monetary crisis to a system of liberal trade and international capital movements. He is opposed in all his papers to the forces of international restrictions and retardation. His writing appear as essays in persuasion as also in prophecy. Though the author's predictions regarding the future role of dollar in the internationai monetary system are not borne out by subsequent events, it is very inte-

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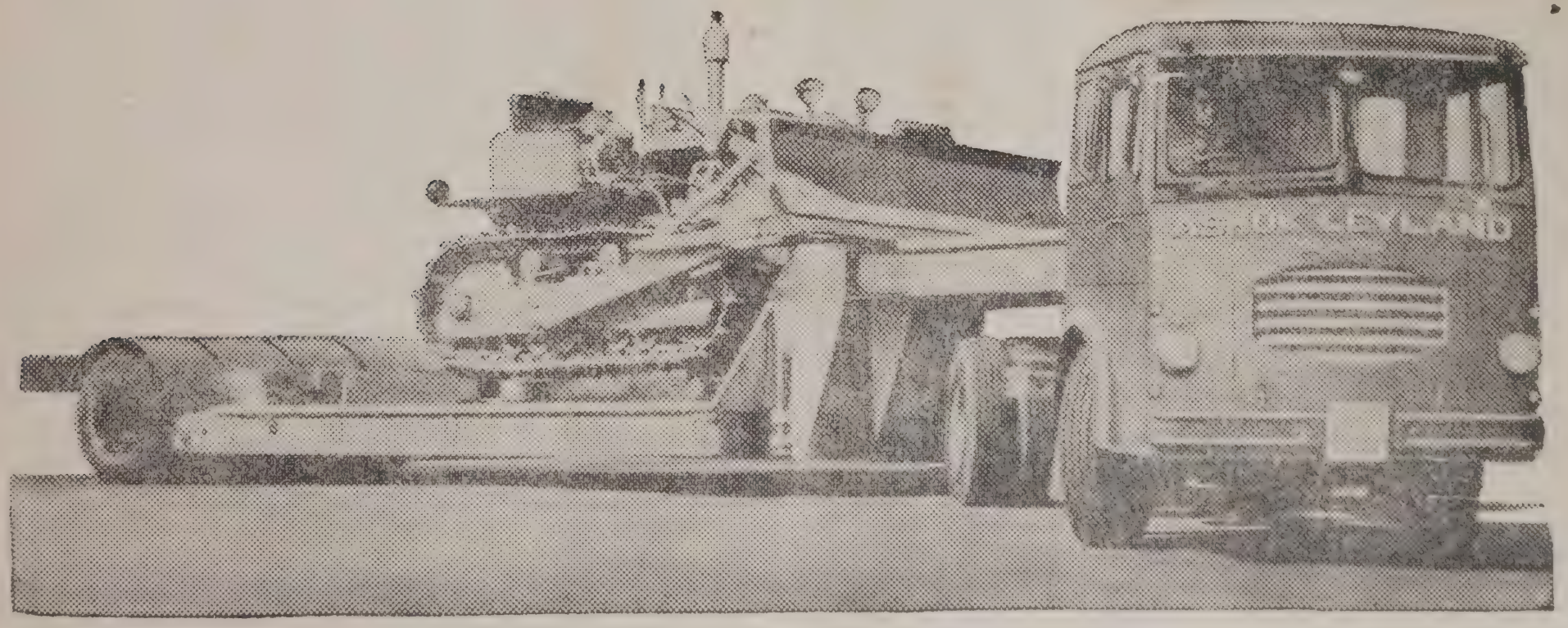
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resting to read these articles of Emile Despres written over a period of two or three decades and check the developments in the light of his analysis and predictions made long ago.

Fertilisers Use

There is no doubt that inorganic fertilisers have played a remarkable role in boosting the level of production in the agricultural sector in India. The present upsurge in agricultural production in India may rightly be called 'the seed-fertiliser revolution'. But in the past few years there appear to be indications of slackening of the pace of demand for fertilisers. This is obviously a very serious development as India has yet to go a very long way before it becomes self-sufficient in foodgrains. It was felt that the right diagnosis of this development of slackening of demand for fertiliser can be best undertaken at disaggregate level, say a state or better still a district. An attempt has been made in *Fertiliser Use in Gujarat —A Micro View* to identify and analyse the factors determining the demand for fertilisers at the farm level in two typical regions — Baroda and Junagadh — of Gujarat.

This research study aims at (i) studying the factors inhibiting the use of fertilisers in the unfertilised areas; (ii) studying factors determining the level of use of fertilisers at the farm level in fertilised areas; (iii) studying the pattern and level of use of fertilisers for two major groups of crops, viz., foodgrains and non-foodgrains crops; (iv) examining the role of extension agencies in furthering the use of fertilisers; and (v) indicating the role which the Gujarat State Fertiliser Company (GSFC), the principal supplier of fertilisers in Gujarat, can play in augmenting the use of fertilisers in the state.

From the analysis of socio-economic characteristics of the users and non-users of fertilisers in Baroda and Junagadh, the author has drawn the following conclusions: (1) A farmer belonging to a lower caste is more likely to be a non-user than a user of fertilisers, while a farmer belonging to a higher caste or a medium caste is more likely to be a user of fertilisers. (2) There was hardly any relationship between the age of cultivators and the fertiliser use, though middle-aged farmers were more likely to be the users of fertilisers. (3) As regards the level of education the observation indicated that the presence of an educated member in the family may make some difference, but more so when some one in the family had reached the secondary school level. (4) Members of cooperative societies are more likely to be the users of fertilisers than non-members. (5) The size of holding seemed to be an important factor in determining fertiliser use. Larger the size of the farm, the more a cultivator is likely to become the user of fertilisers. (6) Tenancy did not seem to exert any influence on the use of fertilisers. (7) The availability of irrigation facilities plays an important role in determining the use of fertilisers. (8) Farmers growing commercial crops are more likely to use fertilisers, while superior cereals do not seem to have any role in determining the level of use of fertilisers.

As regards the policy implications of the above findings, the author has divided the problem of extending the use of fertilisers into three areas, namely the problem of extension of the knowledge, the technical support to the fertiliser users and thirdly, the problem of adequate level of fertiliser use. It was found during the survey that the most important factors inducing the use of fertilisers, apart from the availability of irrigation facilities, were education, membership of cooperative societies and membership of higher social strata which in India means the so-called higher castes. The secular trends in these directions suggest that many of the non-enabling characteristics due to these factors will weaken down. Similarly the wide spread of education and wider access to easy credit can also be anticipated. This means that these handicaps are likely to become weaker and to that extent many more cultivators are likely to become fertiliser users.

technical aspects

As regards the second aspect, much work is required to be done in the direction of making farmers aware of the technical aspects of fertilisers. This type of work, according to the author, has to be undertaken by the fertiliser manufacturing companies, although government extension agency can be of considerable help in this regard. The author has emphasised that the manufacturers of fertilisers will have to take up the task of technical extension much more vigorously than they have done hitherto.

As regards the third aspect, i.e. increasing the level of fertiliser use, several measures will have to be undertaken by the sponsoring agencies. Key among the factors are the availability of irrigational facilities and availability of credit. According to the author, if these two factors are attended to there will be a significant boost to fertiliser demand. And above all since fertiliser use is found to be price elastic, lowering the price, especially of urea, will certainly raise the total fertiliser use significantly.

It is a happy thought that there is increasing realisation in the country that most of the economic problems need local and specific treatment and that in this regard micro-studies rather than generalities are of much assistance. This is particularly true in a vast country like India with its infinite variations in every respect. There is no doubt that this excellent research study by Arun S. Patel will be of immense use to fertiliser manufacturing companies, students of agricultural economics, various extension agencies, researchers, government revenue officials and planners.

Changing Agrarian Scene

What has been the impact of the green revolution? Is it one of the most significant breakthroughs in Indian agriculture? Is the new technology size neutral and has it benefited all sections of peasantry as well as agricultural labourers? Has the green revolution created conditions for the overall growth of the rural economy? Some studies that have been conducted so far would appear to answer all the above questions in the affirmative. But then there are other studies which have expressed serious concern about the increasing disparities in income and consequent heightening of tensions in the countryside. It is further held that the new technology has benefited only the rich farmers and thereby alienated the other sections of rural population, that increasing use of mechanized farm technology is going to displace labour and further add to the pool of unemployed and under-employed in the villages. Where does the truth lie between these two opposite points of view.

Dr G. S. Bhalla in his *Changing Agrarian Structure in India* feels that the number of studies on this subject which have been already carried out are inadequate to provide sufficient ground for any meaningful generalisations on the subject as they suffered from a number of limitations such as concentration on a few technical aspects of the problem, inadequate information and data, narrow coverage and so on. The author therefore was of the opinion that there was need for a survey that would throw light on the actual facts enabling meaningful discussion and generalisations regarding the impact of the green revolution. The author chose Haryana as the area of his observation and research because along with Punjab Haryana has pioneered the green revolution in India. It would be instructive to know the facts and findings of Dr G.S. Bhalla.

Haryana alongwith Punjab has pioneered the adoption of new techniques in agriculture thereby emerging as the second

chest state in India in terms of per pita income. The state has recorded a ry high rate of growth in income since 966 and is at present one of the fastest owing states in India, the chief source of conomic progress of the state being agri-lture. Out of the total increase in the ate income of Rs 1,707 millions between 960-61 and 1969-70, Rs 1,041 millions .e. 61 per cent) have been provided by the rimary sector, the rest being almost qually shared by the secondary and ter-ray sectors. There is no doubt about ne breakthrough which Haryana has chieved in the field of agriculture.

The author has confined his attention o the study of "the impact of Green Revolution on income distribution and o evaluate its repercussions on the struc-ure of rural economy of Haryana."

vide disparities

It is found from the survey that there re very wide disparities in thc distribu-ion of land holdings in Haryana. The economic condition of the lowest category of cultivators tillingu p to five acres of land is very precarious. Peasants operating between five to 10 acres of land are barely able to break even. The intermediate with a holding between 10 to 20 acres are enabled to meet farm costs as also to earn a small surplus after meeting their consumption needs. It is only peasants cultivating 20 to 30 acres and above who are able to record handsome surpluses and are able to make relatively larger investments out of their savings and borrowings. The extent of poverty in Haryana can be gauged from the fact that 27.6 per cent of cultivating house-holds belonging to the first category live in actual bankruptcy and another 29.0 per cent farmers cultivating between five and 10 acres live on the verge of it!

Maldistribution of land holdings and land ownership has naturally resulted in very wide inequalities in the distribution of income in rural Haryana. While the mean household incomes range between Rs 2,139 and Rs 14,426 per annum for the smallest and the biggest cultivating household, we find 20 per cent of the poorest households with an average annual income of Rs 690 only, while at the other extreme we have 20 per cent of the richest households with an average in-come of Rs 15,811 and accounting for as much as 55 per cent of the total income. There is no doubt about the very high concentration of incomes in Haryana.

It is a fact that the green revolution in Haryana has helped to increase the output, income and productivity of all categories of cultivators who have adopted the new technology. The output per acre obtained by progressive farmers is almost double that recorded by their non-pro-gressive counterparts. The progressive cultivators' demand for hired labour is also substantially more than that of non-progressive ones, indicating that green revolution in Haryana has led to enlarged opportunities of employment for labour. At the moment at any rate the green revolution in Haryana is both capital intensive and labour intensive. But ac-cording to the author there are already pressures at work in favour of labour-saving machinery. This indicates that the employment generating potentialities of the green revolution are not limitless and are already being gradually exhausted in Haryana.

It is also found that in Haryana, the green revolution has resulted in accentua-ting regional income imbalances. Income disparities between the poorest non-pro-gressive and the richest progressive culti-vators have widened as a result of the green revolution. Contrary to generally held view, the green revolution has ten-ded to reduce rather than aggravate in-come inequalities amongst those who have adopted the new technology. However this marginal change notwithstanding, income distribution still continues to be extremely uneven in rural Haryana.

distinctive feature

As regards the consumption pattern of cultivators in Haryana, one distinctive feature which the auther found was that progressive cultivators are undertaking greater investment in human capital formation because of their higher income levels. There is evidence to suggest that these cultivators are showing greater awareness of the desirability of educating their children. It is also found that progressive cultivator in all categories are investing higher amounts on both farm and non-farm assets compared with non-progressive cultivators, thus opening the possibility of rapid growth and develop-ment of agriculture.

The author has drawn certain policy implications from his analysis. In parti-cular his recommendations for improving the economic conditions of small cultiva-tors and agricultural labourers and for reducing inequalities of income in rural Haryana are significant, as the magnitude of existing poverty in the Haryana coun-tryside is indicated by the fact that population of destitute households con-stitutes more than one-half of all rural population in the state.

Rural poverty and underemployment are directly attributable to excessive population burden on land. The green revolution by itself will be incapable of providing full employment to everyone and eradicating poverty. At best it can make only a marginal contribution in the short-run by providing a breathing space during which appropriate long term policy measures can be devised and implemented. In the long run the need is to reduce the population burden on land by siphoning workers out of agri-cultural occupations into rural and urban industry. This implies that alternative opportunities in the secondary and tertiary sectors must become available. All this demands a much greater investment effort than has been made so far.

special mesures

According to the author special measures will have to be taken to extend the green revolution to more and more peasants tilling small tracts of land. Also easy institutional credit will have to be provided to these small farmers to enable them to make necessary investments in tubewells, pumping sets and improved farm machinery. The Small Farmers Development Agency should make an attempt to fill up this gap. The author is also of the opinion that in the case of these small farmers the existing and new facilities should be used on a pooled basis. The author has recommended that service cooperatives may be created exclusively for small cultivators. The state should provide tractor services, seeds and fertilisers through these services. Later on these service cooperatives can be developed into full fledged cooperative farming societies.

Along with this, the author has also suggested some more radical measures concerning security of tenure, fixation of reasonable rents and redistribution of land by lowering of ceilings which should not have adverse effects on agricultural productivity because it is found that "a small holder is able to produce a much higher output per acre as compared with a large cultivator." The author has also advocated legislation to fix minimum wages for agricultural labourers.

Green revolution has brought prosper-ity to much of the countryside of Haryana. According to the author the above vigorous policy is now needed to ensure that the fruits of this prosperity are shared equitably by majority of the rural Haryanavis.

Though the conclusions of this excellent research work are not stri-kingly different from those of most other works and though there is also

nothing strikingly new about the recommendations, since the entire analysis is backed by empirical study on which the recommendations have come to be based, the book carries much weight. The book will definitely serve as a model for similar studies in other states like Maharashtra where also the green revolution is supposed to have taken place during 1960s.

Champion of the Depressed

Ambedkar—A Critical Study is a study of the social and political thoughts of Dr B. R. Ambedkar. Born in a socially backward caste, educated according to the western style in Indian and foreign universities, thoroughly rational in outlook and basically rebellious by temperament, almost inevitably Dr Ambedkar assumed the natural leadership of the depressed classes in India and came into clash with caste Hindus and later Gandhiji and finally, both out of desperation and rational convictions, became a convert to Buddhism. A lawyer with great forensic ability, an economist who learnt his economics under Prof. Edwin Cannon, member of the provincial and central legislatures, law and labour member of the Viceroy's council, a union cabinet minister in independent India, one of the makers of the republican constitution of India, writer of about a dozen provocative but learned books, Ambedkar's thoughts definitely deserve to be studied closely, especially by caste Hindus who should search their hearts in the matter of their criticism by Dr Ambedkar and their inhuman treatment to the Harijans twenty five years after independence.

The author has naturally concentrated more on the study of the ideas and ideology of Dr Ambedkar. Ambedkar's defiance of the tenets of Hinduism and his publicly burning of Manu Smriti because it preached inequality between man and man centuries ago, have been well explained. The reasons for Ambedkar's embracing Buddhism were that untouchables of today were Buddhist at one time, that Buddhism is an Indian religion and the Buddha was nearer to the untouchable masses, that Buddhism could withstand even the severest scientific test and had the capacity and power to direct the destinies of the modern world, and the untouchables could join the world Buddhist community and thus pave the way for world brotherhood. While feeling unhappy about Ambedkar's leaving the Hindu fold and becoming Buddhist along with his followers, it must however be considered as one of the fortunate turns in modern Indian history that he did not become a convert to either Islam or Christianity.

We also again note here Ambedkar's fight for the cause of untouchables and his demand for separate electorate for them, the whole thing ending in Poona Pact with which Ambedkar was subsequently disappointed. We marvel at his able piloting of the Indian Constitution but are grieved that most of the provisions in the Constitution were against his convictions. He failed to safeguard the interests of the scheduled castes. While he advocated a presidential executive as most suited to the Indian conditions, he later opposed it in the constituent assembly. While he criticised the objeetive resolution on the ground that to secure social justice there should be "nationalisation of industry and nationalisation of land", he however opposed an amendment of K. T. Shah to name India 'a socialist state'. One gets the impression that Ambedkar's position in the constituent assembly, as stated by Dr K.V. Rao, was secondary, and he was revolving round the congress leadership as a planet revolves round the sun. He deliberately took this position to safeguard the interests of the depressed classes in the Constitution of India. It is therefore difficult to call Dr Ambedkar the maker of modern Indian constitution!

reasons for cleavage

It is instructive to read and think in retrospect Dr Ambedkar's view that two things produced a cleavage between the Muslim League and the Congress. They were firstly the refusal by the Congress to recognise the Muslim League as the sole representative of the Indian Muslims, and secondly the refusal of the Congress to form coalition ministries in the Congress majority provinces in 1937. Another of Ambedkar's view expressed more than 18 years ago is also worth consideration. He maintained that Nehru government and the Congress party had failed to give the people pure and incorruptible administration. He accused the Congress of not providing food and clothing to the people and said that Congress failed to give to the people pure administration, free from corruption, bribery, nepotism and favouritism. He charged that the Congress administration was being conducted on the basis of personal allegiance. How true even today! Possibly the things have taken turn for the worse in all these respects!

Many other ideas of Dr Ambedkar are also worth noting. Thus Dr Ambedkar upheld India's paramountcy and sovereignty in regard to the princely states. He was opposed to communal parties and according to him if Hindu Raj did become a reality, it would no doubt be the greatest calamity for this country. No matter what the Hindus said, Hinduism was "a menace to liberty, equality and fraternity. On that account it was incompatible with democracy." As a labour member he fovoured joint labour-management committees, initially in industrial units engaged in producing war material. He was a fervant opponent of linguistic states. He feared that linguism would lead to the creation of provincial or state nationalities. He advocated Hindi as the national language of India while admitting the importance of English as the language which had awakened the sense of nationalism in the country. He was right in fearing, due to the formation of linguistic states "the possibility of the disruptive forces in the already loose structure of the Indian social life." He therefore favoured the formation of multilingual states.

Dr Ambedkar was certainly a remarkable man, the only worthwhile leader thrown up so far by the depressed classes in India. Exceptionally rational in approach, it was rather disappointing that his labour did not bear the fruits, thanks to the essentially conservative nature of Hinduism which ultimately he was forced to renounce.

While Dr Kuber has made a valiant attempt to give a critical estimate of Dr Ambedkar's ideas in various fields, he has not suceeded to any great measure in giving an integrated picture of Dr Ambedkar's thought process and ideas. The methodology which the author has adopted gives a fragmented picture and does scant justice to the personality of Dr Ambedkar. While reading the book one does not experience the zeal and vehemance with which Dr Ambedkar raised his crusade and fought his battles against the age-old and traditional society. The author who wants to present the ideas of Dr Ambedkar in their proper perspective must have both an extremely sensitive mind and a very powerful pen, both of which Dr W. N. Kuber unfortunately does not possess.

Pricing Policy

Prices in India have been rising since 1956 and the rising prices have assumed the form of an hydra-headed monster which is eating into the vitals of the Indian economy making nonsense of all efforts to develop the Indian economy and bring about improvement in the living standards of Indian masses. Innumerable attempts have been made so far to diagnose the disease as also to critically examine the policies pursued so far to combat rising prices. This part of the analysis though essential is comparatively easy and therefore we have *Price Trends and Policies in India* by A. B. Ghosh.

As we all know, price mechanism in a

free economy plays a crucial role in rationing supplies of various goods and services, determining the composition of the national output and allocating labour, capital and other factors of production among various productive channels. It ensures the most efficient allocation of resources and maximisation of satisfaction of consumers under the given circumstances. When government intervenes and begins to regulate prices, complications arise. Government attempt to steer the economy through hundreds of regulations without coordination has been likened by Lerner "to an automobile without a driver but in which many passengers keep reaching over to the steering wheel to give it a twist while complicated regulations prescribe the order and degree to which they may turn the wheel so as to prevent them from fighting each other about it."

economic environment

The scope and formulation of price policy depends on (i) a thorough knowledge of the economic environment and the nature of the magnitude of changes, (ii) the consequential alteration in the needs of an economy, and (iii) the overall plan targets set for the different stages of development. Given these factors, a suitable price policy must clearly define the objectives and devise a machinery for their attainment. The author has also drawn attention to the micro and macro aspects of the price policy.

As regards the policy instruments to execute the price policy, the instruments available are monetary measures, fiscal measures, measures of price control and measures directly influencing market. magnitudes. This part of the theoretical analysis as also the theory of price control the base outline of which is given in chapter 3 is the best part of the book. It is in the light of this theoretical background that the author has analysed the problem of rising prices in India.

The author has then analysed the price behaviour in India during the first three Plans and also subsequent period up to 1973. Though the author has introduced great amount of sophistication and has tried to look at micro as well as macro aspect of the price problem, the basic facts about price situation and behaviour since 1951 have been repeated ad nauseam and by now one has them almost by heart. We traverse the same ground here of wrong strategy, the big push theory of the second Plan, wrong monetary and fiscal measures and ineffiicient execution of uncoordinated and ad hoc controls and price regulation measures.

One would expect that the objectives of price policy in the agricultural sector would be avoidance of extensive fluctuations in agricultural prices as well as incomes, the raising of agricultural incomes, keeping the cost of development low, ensuring a crop pattern and agricultural output in conformity with planned targets and maintaining parity relationship with prices in the non-agricultural sector. It is only after the establishment of the Agricultural Prices Commission in June 1966, that we notice some semblance of agricultural prices policy in the country. The author has reviewed the various measures such as fixation of minimum support and ceiling prices, procurement and public distribution of foodgrains and issue prices. The author has analysed the problem at the micro level also i.e. in regard to individual agricultural commodities like wheat, coarse cereals, cash crops, cotton and sugarcane. This is followed by a rather perfunctory analysis of price policy in sectors other than agriculture.

The author's concluding remarks deserve mention. He rightly feels that the lasting remedy for rising prices is larger production. "The contribution of appropriate price policy to this end is dependent upon the willingness of all parties to work in a spirit of cooperative endeavour for the common good. This requires striking of an optimum balance of maximum production and social justice which is not a function of economic variables above.

non-economic element

Thus the success of economic instrument such as price policy depends also on non-economic elements of man in society, some of relevant ones in the sphere of production being honesty, sincerity, strong sense of duty and responsibility, social awarness, emotional integration, willingness to face challenges and to relegate self to a somewhat lower place in the list of one's priorities". Also it must not be lost sight of that significance of price policy lies only as a part of the general economic policy. Without a definite incomes policy for example, chances of success for a price policy are meagre, nay impossible. A stratagy of faster growth in agriculture and industry also requires basic changes in the country's administrative structure, You cannot modernise an economy with an antiquated administrative structure riddled with inefficiency and dishonesty.

One is afraid that inflation is giving place to hyper-inflation. This is evident from the fact that whatever policy government adopts these days to check inflationary pressures, prices have been bouncing upwards with still greater force! What is tragic is that there is no one in the govenrment who appears to have even the haziest notion of an integrated policy that should be followed to combat this hydra-headed monster. While the Finance ministry pins its faith on additional indirect taxes, the Planning Commission talks in terms of restricting the amount of deficit financing to Rs 125 crores per year, and the Reserve Bank seems to pin its faith on credit squeeze. This sort of fragmented approach just wo'nt do. Does not the government know this? One therefore begins to wonder, if the government is sincere when it talks of containing the price level and whether government has no vested interest in allowing the prices to rise ! If it is so, the government is playing a dangerous game which is bound to recoil against it with vengeance.

Multinational Corporations

A giant in the form of multinational corporation has emerged on the horizon and has been striding across. What are its implications for the developed and developing countries and for international trade theory and practices? It is only in recent years that attention is being given to this post-war economic phenomenon with vast potentialities for good as well as for evil. The veteran econmist Dr. B. N. Ganguli has done well to bring out this excellent book *Multinational Corporations* epitomising the role and significance of these corporations.

A mysterious aura seems to surround multinational corporations. It represents an image of fearsome power stirring up some vague forebodings. The multinational corporations seem to be operating in the murky atmosphere "Where power economics and power politics tend to combine into a fissionable mass." On the other hand it is argued that "multinational enterprise should lead mankind to the cherished goal of 'one world'; that it is an instrument of modernization and higher levels of living, especially in the underdeveloped part of the world; that it is a medium of transfer of more efficient technology ... in fine, it is an agent of economic development, international prosperity and world peace." One is thus faced with a complex phenomenon. As the author has said "One must identify and know the reality of it before one can hope to grapple with it." Dr Ganguli makes no pretence that he is making an effort to answer all the above questions His is a modest attempt to present concrete background against which such questions may be posed and grappled with.

It is found that some of the multinational corporations may be internationally controlled but not internationally owned; others may be both internation-

ally owned and controlled. Most, but not all, multinational corporations which have proliferated and developed in the last two decades operate on the basis of internationally owned assets. "Ownership of assests being the means of operational control which is the essence of flexibility and efficiency of a multinational corporation, control of a single institution is logically its basic characteristic. The second distinct characteristic of the multinational corporation is concerned with international transfer of complementary factor inputs—capital, knowledge, entrepreneurship and goods and services of varied kinds. The third characteristic is that resources are transferred, but not traded in according to the traditional norms and practices of international trade. In fine, multinational corporation is an enterprise which owns and/or controls producing facilities in more than one country, such as factories, mines, oil refineries, distribution channels, offices, etc., etc.

total value

According to an estimate made in 1968, the total value of assets of multinational corporations outside the country of first incorporation was of the order of $ 94 billions. Their total sales exceeded in value the GNP of any country except that of the USA and USSR. There are about 4000 companies qualifying for this definition and these account for as much as 15 per cent of the gross world product. Projections made on the basis of these trends indicate that by 2000 AD, 200 to 300 of these global giants will account for about 50 per cent of the world output.

As regards geographical distribution of multinational productive enterprises, we find that in 1965, 55 per cent of the multinationals were of US origin, 20 per cent of British origin, while about 25 per cent were of European or Japanese origin. Multinational corporations seem to be concentrated in industries such as a vehicles, chemicals, and mechnical and electrical engineering. Multinationals seem to have established almost complete domination in rubber tyres, tobacco, pharmaceuticals and motor vehicles.

The beginning of multinational corporations can be traced to the Randall Commission Report and the Economic Report of the President both appearing in the USA in 1954. The two together seem to have set the pace of expansion of the US private foreign investment in a new setting. A number of concerted measures appeared necessary and were taken expeditiously. Priority was given to negotating treaties to avoid double taxation and treaties of friendship and commerce which could avoid discriminatory treatment of the US foreign investments. Also US capital had to be insured against certain risks.

Cold war possibilities only added to importance and significance of private US investments abroad. It was felt that establishment of branch plants and subsidiaries by multinational corporations could as well achieve a basic security objective, viz., dispersal of industrial facilities and building up of an adequate base for defence mobilisation in the free world.

Emergence of multinational corporations has also an important bearing on the classical and neo-classical international trade theory. International specification, according to the principle of comperative cost, leads to concentration of particular industries in particular countries depending on the factor resources. But if modern corporations with access to sophisticated technologies and superior management and information systems and marketing techniques, could become multinational corporations with branch plants and subsidiaries dispersed over a number of countries thus achieving international mobility of factor inputs and and removing to a great extent obstacles to factor mobility across the national frontiers, the traditional comparative cost doctrine ceases to be valid.

transfer of technology

As regards the structure of multinational corporations the author has pointed out how they have resorted to mass production methods leading to growth of large units of production and concentration of production in a relatively small number of units, if not complete monopoly. Transfer of technology is inherent in the growth of multinational entreprises, particularly during the last two decades. It is found that the operating strategy of subsidiary is determined by the global interests of the parent company.

It would be instructive to examine some of the implications of the emergence of multinational corporations for the developing countries. The experience of last two decades tells us that "the short-term effect of this kind of economic development has been distortion of the wage income structure in developing countries. High level modern technology introduced by these multinationals discourages unskilled, labour-intensive production in countries with vast pools of unemployed and underemployed labour. This means a rational policy balancing employment with increasing productivity cannot be pursued. Artificial modern enclaves develop which do not necessarily offer increasing opportunities of employment of the kind that is needed for the mass of poverty-stricken population of these backward countries for the simple reason that production with high grade modern technology cannot be employment-oriented. The structure of industrial production that develops reflects the skewed structure of demand for goods and services needed only by the relatively affluent middle class and the social elite. It is obvious that such a demand structure cannot create a sufficiently large volume of employment. Any egalitarain employment policy which developing countries may be thinking of adopting cannot be pursed under such conditions of modernisation which the multinational enterprises wish to pursue always in alliance with domestic oligarchy that seeks to enrich itself under the guise of modernisation of the economy and create an illusion of economic progress and national pride by means of spectacular development projects. This link-up between multinational corporations and local economic oligarchies complicates politics of the country also. There is thus no doubt that multinational operations of these multinational corporations have imposed some constraints on the goals and aspirations of both domestic economic policy

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and foreign economic policy of developing countries.

Dr Ganguli has warned that the challenge which the multinational corporation pose can be met only if all nations whether developed or underdeveloped realise that multinational corporations cannot be made to observe a code of conduct "if the nations in which they have their basis of operation are sharply split internationally as well as in their external relations, and, by their divisions play into the hand of multinational corporations."

Emergence of multinational corporations is comparatively a recent economic phenomenon the vast implications of which especially for the developing countries have not been fully grasped not only by politicians but even by economists. Dr B.N. Ganguli has done a very useful job by writtng on this subject and epitomising the present and the possible future implications of the multinational corporations.

Exchange Regulations

Guide to Foreign Exchange Regulations Act 1973: V.P. Arya and V.P. Juneja; Law and Allied Publishers, 23/2740 Beadonpura, New Delhi-110005; Pp 288; Price Rs 25.

The avowed purpose of the Foreign Exchange Regulation Act 1973 is to direct the utilisation of foreign exchange Resources into right channels, eliminate malpractices in the course of its international trade transactions and regulate the working of foreign companies, their subsidiaries or branches in India. However, the provisions of the Act and the large number of regulations issued under it present a maze and puzzle to the company executives who have to deal with it, and a need for a guide to the law and practice of Foreign Exchange Regulations had been strongly felt.

Guide to Foreign Exchange Regulations Act, 1972 by V.P. Arya and V.P. Juneja" is the first reference book on the subject, which not only analyses the provisions of the Act, the guidelines and other regulations issued under the Act but also elucidates and clarifies many ticklish points of law and procedure. Besides exhaustively dealing with regulations relating to operations of foreign companies, their subsidiaries and branches in India, it also deals with export/import of goods, Indian participation in the business or industrial activities in foreign countries, shares and securities, booking of passages outside India and foreign travel, authorised dealers and money changers etc.

It explains with minimum of legal jargon, the basic legal rules and regulations with which the company executives must be familiar if they are to avoid pitfalls of the foreign exchange regulations. Designed for easy reference, this is a book which bridges the 'communication gap, between the statute and the 'non-resident' interests, exporters/importers, company executives and others who have to deal with it. There is no doubt that the publication will prove to be a useful guide on all the questions likely to arise on the subject of foreign exchange regulations.

Books Received

Economic Theory and Planning: Essays in Honour of A.K. Das Gupta: Edited By Ashok Mitra; Oxford University Press; Pp 326; Price Rs 50.

Development Administration in India: Editor V.A. Pai Panandiker; The Macmillan Co. of India Ltd, 2/10, 4252 Ansari Road, Daryaganj, Delhi, 110006; Pp 238; Price Rs 75.

Pricing and Investment in Public Enterprise: Papers presented at two all-India seminars conducted by the Institute of Public Enterprise; Published by Oxford & IBH Publishing Co, 66 Janpath, New Delhi; Pp. 342; Price Rs 35.00

Sardar Patel's Correspondence, 1945-50 (Vol X): Edited by Durga Das; Published by Shantilal Harjivan Shah, Navajivan Press, Ahmedabad, 380014; Pp 512; Price Rs 40.

Guide to Foreign Exchange Regulation Act, 1973: V.P. Arya & V.P. Juneja; Law and Allied Publishers, New Delhi 110 005; Pp. 288; Price Rs 35.

Planning and the Poor: B.S. Minhas; S. Chand & Co. (Pvt) Ltd.; Ram Nagar, New Delhi, 110 055; Pp. 141; Price Rs 25.

Indian Tea, A Strategy for Development: S. Manoharan; S. Chand & Co (Pvt) Ltd; Pp. 157; Price Rs 20.

Bangladesh Progress 1973: Published by Dept. of Publications, Ministry of Information and Broadcasting, Govt. of the People's Republic of Bangladesh; Pp. 112.

Irrigation and Power in the Fourth Plan: Published by Publications Division, Ministry of Information and Broadcasting; Govt. of India, Patiala House, New Delhi-1; Pp. 96; Price Rs 4.

Indonesia Today: Dilip Mukerjee; Economic and Scientific Research Foundation, Federation House, New Delhi; Pp. 38; Price Rs 4.

Realise and Release (Guidelines for Prompt Outstation Collections): Prepared by Alakesh Ghatak; Indian Banks' Association, Block 3, Stadium House, Veer Nariman Road, Bombay, 400020; Pp. 36; Price Rs 5.

Stop Payment: Prepared by Laxman Londhe; Indian Banks' Association; Pp. 60; Price Rs 7.00

Pace and Pattern of Growth of Udhna Industrial Estate (Gujarat): Small Industries Service Institute, Ministry of Industrial Development, Govt. of India, Ahmedabad, 380 013; Pp 66.

Consumer Purchases of Textiles, 1972: Published by Textiles Committee, Market Research Wing, Ministry of Commerce, Govt. of India, 132 Dr Annie Besant Road, Worli, Bombay, 400 018; Pp. 178; Price Rs 27.00.

Indian Packaging Machinery Directory: L.C. Gupta and M.R. Subramanian; Indian Institute of Packaging; Plot E-2, Marol Industrial Estate, M.I.D.C., Andheri (East), Bombay 400 093; Pp. 150; Price Rs 55.

Commerce Yearbook of Public Sector 1973-74: Editor: Vadilal Dagli; Published by D.B. Mahatme on behalf of *Commerce (1935) Ltd.*; Manek Mahal, 90 Veer Nariman Road, Bombay, 400 020; Pp. 622 Price Rs 50.

Transport Planning and Finance: Edited by D.M. Nanjundappa; Published by Registrar, Karnatak University, Dharwar-3; Pp. 441; Price Rs 16.

What are Human Rights?: Maurice Cranston; National Academy, 9, Ansari Market, Daryaganj, Delhi, 110 006; Pp. 170; Price Rs 5.

The Hat-Trick: MCC Tour of India, 1972-73: Edited by Sunder Rajan; Jaico Publishing House, 125 Mahatma Gandhi Road, Bombay-1; Pp. 160; Price.

Adolf Hitler: James Bunting; Jaico Publishing House; Pp. 157.

Rice Milling Industry in Vidarbha: S.A. Deshpande; Registrar, Nagpur University; Pp. 272; Price Rs 30.

Fifth Five Year Plan 1974-79—Draft Sub-Plan, Tribal Areas 1974-79: Published by Planning Department, Government of Rajasthan; Pp. 150.

Readers' Roundtable

Recent developments in the public sector

As THE public sector undertakings are coming of age, they are stabilizing their industrial behaviour and, as time passes, the behaviour is getting harder and harder. In this regard there had been some well known instances, which are pointers to certain unhealthy trends and developments in public sector undertakings.

One such development is about loyalties of employees. There is a very clear pattern visible that loyalties today are divided between the all powerful chief executive and the organisation. The worst trend is that since inefficiency, losses and irregularities are now considered as inherent values of the public sector, the good and bad days of employees obviously depend on their relations with their bosses and how they stand in the eyes of the chief executive. If more than one person is on deputation from government cadres, both consider themselves as equivalent, specially if the two persons happen to be the managing director and the financial controller. Whether they collide or quarrel, in either case it is harmful to a public sector undertaking. It is in this process that loyalties of employees get further divided.

In order to motivate the boss for favours, efforts are made to please him (if necessary by creating bottlenecks, embarrassments and difficult situations for the opposite group) which can only be at the cost of the organisation. After all employees of public sector undertakings do not enjoy the protection of the Constitution as is enjoyed by other public (government) servants paid from the consolidated fund of India. Their career depends on the whims and fancies of their bosses, while the later behave like great Mughals. Written rules are more circumvented than implemented. Who is there to watch the misdeeds of individuals? With the change of each chief executive there is almost an upheaval and a turmoil.

The case of the Food Corporation of India is a pointer in this regard. The chairman had to resign and go away in the face of agitation by employees loyal to the organisation.

Then there was the interesting case of the Uttar Pradesh Electricity Supply Board where the engineers went on strike on the stand that the chairman of the board should be a technocrat and not a bureaucrat. This incident raises an inner controversy in public sector undertakings about the posting of the right persons as chief executives.

Recently a minister preached to the private sector to employ professional managers instead of employing the relations and friends of directors. I doubt that the votaries of the public sector have earned the right to preach to the private sector. After all the posting of people on deputation from government service is not different from the posting of friends and relatives in the private sector.

A few years ago when losses in the public sector undertakings started mounting there was severe criticism in Parliament. Therefore it was thought that, to curb such political criticism and to create a good image of the public sector, politicians should be posted as chief executives. There was no dearth of such persons and one man was posted to a very large public sector undertaking whose performance had been very bad. This politician did give a new concept to public sector undertakings. This was the concept of "Image". The politician chief executive started a campaign of social good, eradicating unemployment, development of backward area, protection of under-nourished and financially worried workmen and all that jargon. This gave a boost to other chief executives playing politics similarly. Now even ministers are saying that the test of performance of a public sector undertaking is not the figures on its balance sheet. Thereby they are disowning a statutory provision of the Companies Act 1952. If balance sheets are meaningless, then, why have them at all?

This sort of thinking has created a very wide gap between the reality and the image. The publicity budgets of public sector undertaking have been boosted. Every now and then there are press conferences and tours and sponsored features are arranged in newspapers. Hindustan Steel celebrated its so called "steel jubilee" after completing 15 years of its lossfull years.

Reports to the public through 'prestige' advertisements in newspapers are manipulated and only the good features are highlighted, such as the value of production (not cost), foreign exchange earnings, number of workmen employed, number of houses constructed for workmen and other amenities provided to employees etc. There is no mention of productivity or profitability. Speeches of chairman of public sector undertakings, published in the newspapers, are indicative of such trends.

Another sorry state of affairs is that not a single public sector undertaking has developed a Research & Development department worth the name. R&D today is not limited to new products or improved products. It extends to entire planning process, including optimum exploitation of resources available such as men, machines, money, material and management. There is no thinking on these lines in any public sector undertaking. A public sector undertaking which has developed a real 5-year or even a 3-year plan is yet to be named.

The reasons for such trends are apparent. First and foremost is the posting of top persons on deputation. Besides divided loyalties, their interests are obviously immediate. They are more keen on the present image than on long-term benefits. The second reason is lack of autonomy, which dissolves responsibility. The third reason is that even the top people do not clearly know what is expected of them. Policies, objectives, targets are all in a state of confusion. The fourth reason is that the proposals of the public sector undertakings generally get cool treatment by the government since the further financing of rising losses in the public sector could be embarrassing even to politicians.

Concepts such as joint ownership, eradication of monopolies and restrictive trade practices, misuse of public funds, disregard of social good, appointment of friends and relations etc are all applied to private sector alone. If the intentions of the leaders are *bona fide*, these concepts should start in the public sector, be proved to be beneficial to the country and thus enabled to motivate the entire nation. As it is, by preaching sermons to the private sector alone, the politicians are creating obstacles for the industrialization of the country, without bothering to improve the public sector where the government has much better control and directional authority.

"INSIDER"

(This correspondent is a senior official in a public sector undertaking and, for "obvious reasons" does not want his identity to be disclosed.

—Editor

TRADE WINDS

Anti-Inflation Moves

ALREADY THE union government, through two presidential ordinances, has tried to curb inflation. The first ordinance provided for a scheme for limiting the after-tax profits distributed by the companies. The main feature of the scheme was to limit the distribution of dividend to 12 per cent or 33⅓ per cent of the net profit of the company, whichever was less. This limit has been enforced for two years. The second ordinance provided for a scheme of compulsory deposit for a period of one year on additional wages and salaries sanctioned after the passage of the ordinance. Similarly it provided for compulsory deposits for a period of two years and 50 per cent of the additional dearness Allowance that might be sanctioned after passage of the ordinance. Another measure imposed by the union government was the restriction on the frequency of issue of bonus shares by companies.

Following these measures, the Reserve Bank has come out with its own directives. The Reserve Bank has tightened credit to larger borrowers. The two-pronged attack is in its instructions to banks to carry out a "close scrutiny" of the credit limits sanctioned to their top 50 borrowers immediately and the decision to bring more borrowal accounts under the credit authorisation scheme by the removal of exemption to export credit. The first move is obviously at the instance of the union government, which is concerned at the preemption of a big chunk of bank finance by the top 2,000 borrowal accounts. The second step is intended to plug the loopholes in the devolution of export credit. These measures also cover bank loans to borrowers of Rs 1 crore and above.

In the context by these various measures Mr K.K. Birla, President of the Federation of Indian Chambers of Commerce and Industry, stated that inflation would not have assumed the present gigantic proportions if the crucial link between it and economic development had been realised in the past. Any satisfactory solution to contain inflation would, therefore, have to be considered in the broad spectrum of growth and development. Delivering the key-note address at the one-day seminar on 'Inflation and Economic Development' organised by the Federation of Karnataka Chamber of Commerce and Industry, Mr Birla stated that the inflationary pressures witnessed in the country stemmed from the shortfall in overall production, particularly in the agricultural sector.

The stock exchanges had to be closed to safeguard the interests of shareholders against immediate adverse effect of these ordinances. Later on the Bombay stocks authorities imposed certain restrictions on trading. These were subject to review from time to time. The restrictions included: (i) Purchases and sales of equity shares was not to be made at rates lower than 7 per cent below their official closing quotations of July 4. In the first instance, these rates were to remain in force up to July 15 whereafter the position was to be reviewed. (ii) Till further notice, dealings in active shares included in forms 6-7A were subject to the following further restrictions: (a) Jobbing transactions would not be entered into in such shares. (b) Sales of such shares might be effected by a member for squaring up his net outstanding purchases in the market. Further sales were not to be made. Other stock exchanges also imposed similar restrictions with some variations.

India-Afghanistan Trade Pact

India and Afghanistan have signed a trade protocol in Kabul under the 1972 trade agreement between the two countries. Under the new protocol, Afghanistan will begin exporting fresh fruit to India shortly, and the quantity of dry fruits exported will be increased. The protocol also provides for mutually increasing the volume of trade between the two countries.

New Circuit Breakers

Indian industry can now switch over from conventional circuit breakers and switch-fuses to indigenously manufactured moulded case circuit breakers (MCCB). Larsen & Toubro Limited is the first in India to manufacture MCCBs which are available in 100A, 250A, 400A and 630A ratings. Designated type DT, L & T is manufacturing the MCCBs under licence from UNELEC, France.

Bauxit Deposits

A reserve of about 1050 million tonnes of bauxite, India's largest and the world's second biggest deposit, has been located in Koraput, Kalahandi, Sambalpur and Bolangir districts of Orissa. The Orissa government in a press note said the bauxite has 45 to 59 per cent of alumina content. A recent survey jointly conducted by the Geological Survey of India and the state directorate of mines has already established 77.74 million tonnes of proved reserve of bauxite. Of this 50 million tonnes have been established in the Pattangi plateau of Koraput district alone. A large alumina-aluminium complex can be envisaged in the district as it has abundant reserve of ore and also enough power available from the Balimela and Machkund Hydel Projects. Meanwhile, the question of development of bauxite mining and establishment of aluminium industry in the state was discussed here by Dr Krupasindhu Bhoi, Orissa's minister of state for Mining and Geology, with the director of Geological Survey of India and the state's director of mines.

Exports of Coir Products

Exports of coir and coir products during 1973-74 have exceeded the target of Rs 15 crores by Rs 54 lakhs. Exports during 1972-73, 1971-72, and 1970-71 had been Rs 14.94 crores, Rs 14.86 crores and Rs 13.88 crores respectively. Main coir products exported to different countries are coir fibre and yarn, mats, rugs and carpets, ropes and rubberised coir. The coir industry had to face several constraints in increasing its exports, such as competition from synthetics, increase in cost of production and freight and competition from products manufactured by sophisticated European coir industry and other coir producing countries. Competition from synthetics is not likely to pose a big problem now because of the oil crisis. The main challenge is posed by the mechanised industry. The ministry of Commerce is seriously considering, in consultation with the Kerala government and ministry of Industrial Development, how best to modernise the coir industry to meet the changing requirements of foreign buyers, without disturbing the present employment.

A committee to study the prospects of setting up mechanised coir units was recently set up. The recommendations of the committee were a phased programme of export oriented mechanised units for production of 7,000 tonnes of creel mats and 7,000 tonnes of mattings, establishment of 161 powerlooms involving a capital investment of Rs 1.90

crores on new equipment, location of mechanised units in Mangalore, Cochin and Nagercoil, as shipping facilities and raw material is available in these places and collaboration with EEC countries to utilise their technical know-how and marketing experience. These recommendations are now under active consideration of the government.

Dry Port in Delhi

The Punjab, Haryana and Delhi Chamber of Commerce and Industry has welcomed the appointment of a working group by the union Commerce ministry to go into the problems of immediate commencement of work on the Dry Port in or around Delhi. The formation of this new working group was announced in the meeting of the northern zone Import-Export Advisory Council by the Commerce Secretary Mr Y. T. Shah in the presence of the Commerce minister Prof. D. P. Chattopadhyaya. The case for immediate setting up of the Dry Port was stressed at the meeting on July 10, 1974 by various trade representatives including Mr Raunaq Singh, President of the Federation of Indian Export Organizations. The working group will comprise of Mr Y. T. Shah, Secretary, ministry of Commerce, Mr S. G. Bose Mullick, Secretary (E.P.) in the ministry of Commerce and a representative of the Punjab. Haryana and Delhi Chamber of Commerce and Industry.

Credit Authorisation Scheme

The Reserve Bank has modified the Credit Authorisation Scheme to the effect that preshipment export credit above the specified level, including advances made against duty drawback, cash assistance, etc., will henceforth be subject to its prior authorisation. Banks have been asked to sanction credit limits to a borrower separately for his domestic business and for export purposes and seek the Reserve Bank's prior authorisation for preshipment export credit in cases where the total credit limits fall within the purview of the Credit Authorisation Scheme. Export packing credits aggregating five lakhs of rupees to a single borrower from one bank are, however, exempted from the requirement of prior authorisation, although these limits (even though below five lakhs rupees) are required to be reported to the Reserve Bank immediately.

In the case of existing export packing credit limits exceeding Rs 25 lakhs which have already been reported to the Bank, and which were operative as on July 1, 1974, banks should apply to the Reserve Bank, before August 15, 1974, for its authorisation for continuance of such facility, together with a note indicating the basis on which such facilities, over and above other cash credit/overdraft facilities available to the borrower, are considered need-based. Export packing credit limits below Rs 25 lakhs, which were operative as on July 1, 1974, and reported to the Reserve Bank, may, however, be continued provided the banks are satisfied as to their genuine need.

The Reserve Bank has reiterated that, while the maximum period up to which the concessional rate of interest (not higher than nine per cent per annum) would apply is 90 days. Banks should allow packing credits only for such periods as may be appropriate, taking into account the actual requirements in each case. In cases where packing credits are availed of but the exports do not materialise, banks have been asked to charge a suitable rate higher than the normal rate of interest from the date of the advance irrespective of the reason for the exports not materialising.

Quality Control Device

A unique metal detector 40 times more sensitive than any previously used has been produced by Goodyear Research Division, USA. This device will scan bundles of synthetic rubber weighing some 70 lbs and can pick out alien bits of metal no larger than a pin head. This quality control device is already operating at Goodyear's synthetic rubber plant at Houston, Texas.

Burmah-Shell Export House

Burmah-Shell Refineries Ltd, Bombay, has been given recognition as an Export House by the union government. Burmah-Shell Refineries are exporting various products such as chemicals, engineering goods, drilling additives including traditional items to Shell Group companies in Gulf countries. With its world-wide association, this company has plans to extend the exports to other countries as well in order to boost foreign exchange earnings for this country and also to promote publicity abroad for Indian materials.

Cotton Textile Exports

Measures for stemming the downward trend in exports of cotton textiles were considered at a joint meeting of the Indian Cotton Mills' Federation and Cotton Textiles Export Promotion Council recently. Mr Krishnaraj M. D. Thackersey, Chairman, Texprocil, presided. The meeting noted with concern that, in the first three months of the current financial year, April-June 1974 —exports of mill-made cotton textiles were of the value of Rs 38.5 crores only, giving an annual rate of Rs 150 crores. The concensus at the meeting was that a composite obligation for export and controlled cloth should be fixed at suitable figure and a mill shoul be given a rebate in controlle cloth obligation to the exte of one metre for every tw metres of export. The com posite obligation should be s fixed that, even after such rebate, the production c controlled cloth would b maintained at the level of 80 million sq. metres a year. Th meeting felt that such measure would induce mills t go in for exports and th declining trend in export would be arrested.

Indian Standards Institution

Among the importan projects undertaken by th Indian Standards Institutio during the poriod 1972-73 wa the rationalisation of steel fo automobile industry. Some 3 compositions of alloy and too steels were standardise covering more than 80 pe cent of the industry's require ments. The union ministry o Steel advised all parties tha only these steels would b produced in the country and imports of equivalen foreign steels would be banned This is revealed in the Insti tution's annual report coverin the period April 1972 to March 1973, released recently.

The total number of Stand ards in force as on March 197 crossed the figure of 7,300 The new Indian Standards for mulated during the year unde report covered many importan



subjects relating to different industries. Emphasis was laid in this work on optimum utilization of scarce resources, import substitution and export promotion. Over 3,300 licences covering goods with annual production value of Rs 480 crores were granted under the ISI Certification Marks Scheme. Many new products of consumer interest were brought within the scope of the scheme including diesel engines, electric water heaters (automatic, storage type), fountain pens, helmets for civil defence, helmets for scooter and motorcycle riders, typewriter ribbons, wafer biscuits, pork, pork, sausages, smoked bacon and ham.

Seminar on Chit Funds

The Institute for Financial Management and Research, Madras, is organising an all-India seminar on Chit Funds and Finance Companies and Corporations on oct. 4 and 5 1974. This is the first time that such a seminar is being organised on these two types of financial intermediaries. In recent years there has been a phenomenal growth of chit funds and finance companies and corporations, which have been attracting the savings of a large number of people and which also provide loan facilities and financial assistance in other forms too. It is essential to review the functioning of the non-banking financial intermediaries in order to ensure that they serve satisfactorily the genuine needs of investors and borrowers and that the interests of the public are adequately protected. The seminar will bring together representatives of chit funds and finance companies, trade and industry, central and state governments, Reserve Bank of India and commercial banks, economists and academicians.

Quality Pumps

Mr K. Srinivasan, President of the Indian Pump Manufacturers Association stated recently that a lot of sub-standard pumps are being made in this country. Many state governments purchase pumpsets against their bulk requirement on the basis of lowest prices rather than on any other considerations. Dependence on the part of the government on the "unorganised sector" of pumps results in untold hardship for the ultimate user. If various state purchasing organisations themselves ensure the procurement of pumps against their bulk requirements only from recognised and reputed manufacturers the problems of sub-standard products will not arise at all.

As a matter of fact, Mr Srinivasan pointed out, that IPMA does not bar the small scale sector from its membership. In fact many small manufacturers are members of IPMA, he stated. The main criteria for membership of IPMA is the facilities the manufacturer concerned has for producing quality products, testing methods, after sales service etc. This way the IPMA ensures that all their members manufacture quality products, he said.

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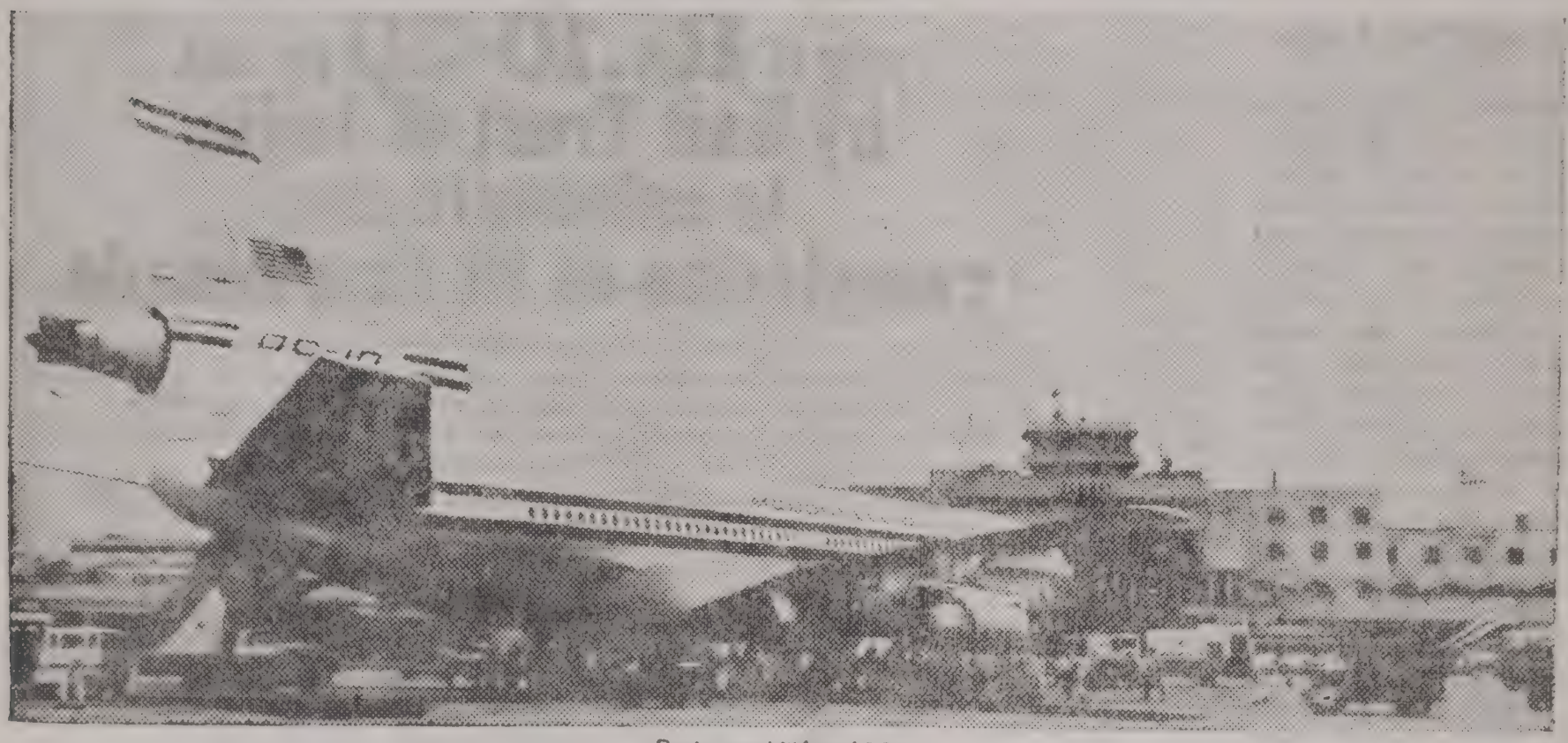
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WIDIA (INDIA) LIMITED

Statement by Chairman, Mr T. S. Krishna, on the occasion of the Ninth Annual General Meeting held in Bangalore on 29th June, 1974.

Gentlemen,

I have great pleasure in welcoming you to the Ninth Annual General Meeting of the Company. The Report of the Directors and the Audited Accounts for the year 1973 have been circulated and with your permission, I shall take them as read.

Working Results for 1973

The salient features of the Company's performance in 1973 have been highlighted in the Directors' Report and the Audited Accounts and I do not wish to elaborate further except to state that the net sales for the year 1973 increased by 35% over the performance for the year 1972 and the net profit also improved more or less to the same extent.

Dividend

A tax-free dividend of 15% is recommended for the year.

Exports

During the year under review, the Company put up a commendable performance in the field of exports. The Company has been in a position to establish good contacts in the overseas markets. However, scarcity of raw materials and problems of transportation experienced by us would pose difficulties in maintaining and improving the export performance in future.

Outlook for the Future

Your Company has been achieving a steady growth rate for the last couple of years and the performance of the Company for the first five months of the year 1974 also indicates that under the existing circumstances, the growth rate is likely to be kept up. However, I would like to mention that there are some restraining factors which might make the going difficult for the Company. The significant factors among them are the credit squeeze imposed by the banks, non-availability of raw materials in time, spiralling costs of all inputs and the cut in power supply. Your Company has been continuously facing power cuts for more than a year and half. The alternative arrangement of operating Diesel Generator sets to make up for the power shortage and also increase in power tariff itself, result in significant increase in cost.

Expansion

The need to expand further the production capacity of your Company has been felt for some time now, in order to cope with the increase in demand for the Company's products. Consequently, an application has been preferred to the Government seeking expansion of the licensed capacity from 48 tonnes of Hard Metal production to 100 tonnes per annum. The letter of intent in this regard is expected to be received shortly.

Foreign Exchange Regulation Act, 1973.

As the non-resident interest in the Company's equity is more than 40%, your Company will be subject to the limitations and restrictions imposed by the Foreign Exchange Regulation Act 1973 which became effective from 1st January, 1974. Necessary applications have been made to the Reserve Bank of India seeking approval for carrying on the Company's industrial activity, for establishing branches, for holding immovable properties etc.

Directorate

Consequent upon the increase in number of Directors from 5 to 7, Mr C.I. Rentrup Wintergalen and Mr Sarup Krishna who have been hitherto acting as Alternate Directors, have been appointed as Directors of the Company and Mr C.I. Rentrup Wintergalen has also been designated as the Managing Director of the Company. Since we met last, Mr Klaus O. Stahmer-Wilhelms resigned from the Board of Directors and the casual vacancy created by his resignation was filled in by the appointment of Dr Ing. Kurt Mayer, being the nominee of the Company's foreign collaborators. On behalf of the Board, I would, like to express our appreciation of Mr Klaus O. Stahmer-Wilhelms services to the Company during the time he was a Director.

Labour

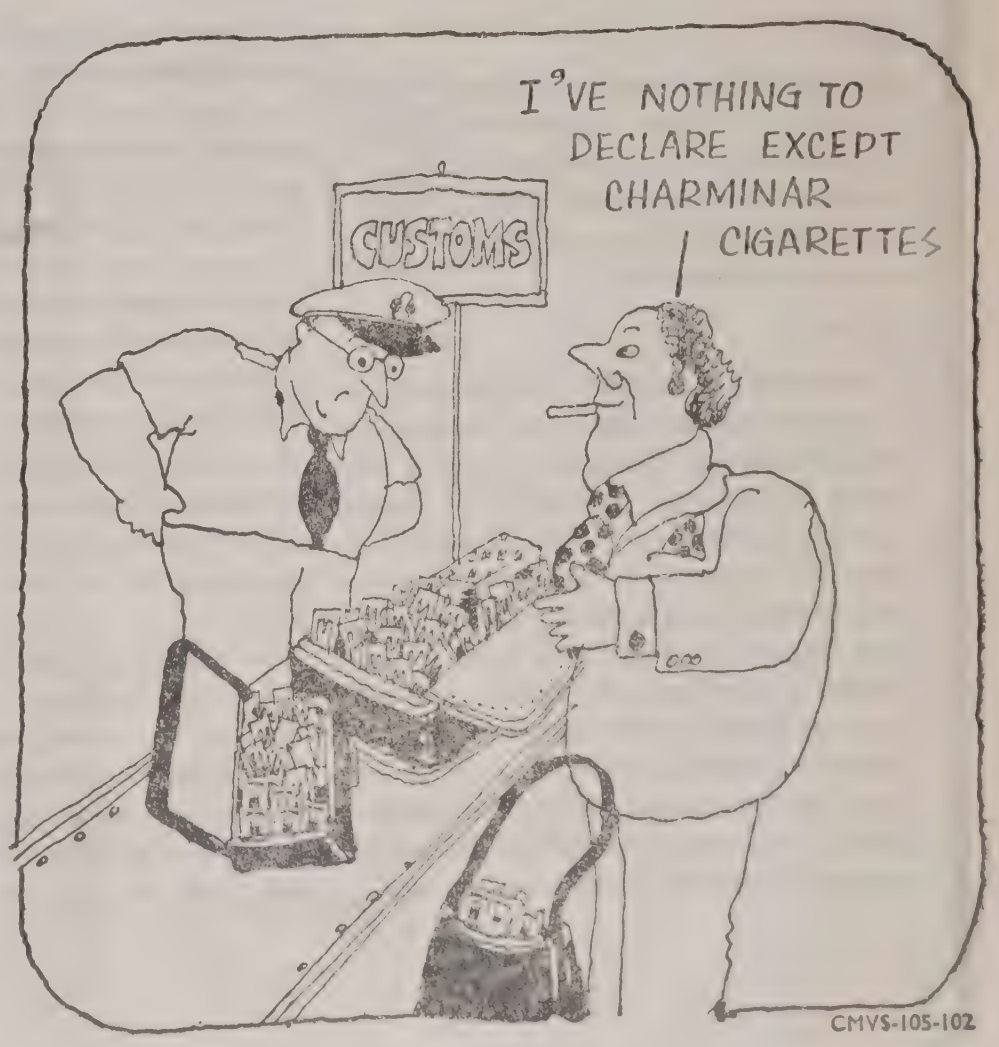
The relationship with the labour has been very cordial and many problems were solved with the labour by mutual negotiations. I would like to thank the employees for the co-operation extended and I hope that they would continue to co-operate with us in future in the same way.

Our Associates

Your Company continues to benefit from the consistent support of M/s Fried Krupp GmbH, WIDIA-Fabrik, Essen, West Germany and I thank them for that.

In conclusion, I would like to express my sincere thanks to my colleagues on the Board and also to the staff and workers for their co-operation to achieve a satisfactory performance. I am sure, with their continued co-operation, the Company will be in a position to achieve even better results in future.

NOTE: This does not purport to be full Proceedings of the Annual General Meeting.



A STRONGER BASE FOR THE FUTURE

NATIONAL AND GRINDLAYS BANK GROUP

Profits for 1973 were lower than in 1972 principally because of the effect on our London profits of the high level of interest rates. At the end of 1973 the Bank Group was able to add to its reserves £3.7 million from the Group Profit and Loss Account. The high level of interest rates has continued to affect adversely our 1974 operations in London, but elsewhere the Bank and its Group are making steady progress.

We have in 1973 built a stronger base for the future than we have had before. Taking the whole management team together, they are stronger and better organised to carry on business internationally both at home and overseas.

We now operate directly or by active participation with associates in 33 different countries overseas, having added to our network during 1973 Germany, Greece, Indonesia, Malaysia, Philippines and Zaire.

AFRICA



Our business in Africa, with the exception of Uganda, has shown useful progress. Our new subsidiary in Zaire—Banque Grindlay Internationale au Zaire—started its operations in November.

ASIA

In the Bank's traditional overseas territories in Asia the results were up to expectations, despite some restrictions on credit and other effects of inflation. Enquiries for foreign currency loans from these territories for general purposes and for special projects have been more numerous in 1973. Negotiations for the loans that follow these enquiries involve a great deal of research and other work on the part of the Bank, and very often nothing tangible results. But there have been some useful successes and the Bank has been able to show that we are not just 'fair weather friends' of countries which we know well.

In Cyprus, Jordan, the Gulf and Oman results were definitely good. In the Far East, Dao Heng Bank continues to live up to our expectations. We are extending our activities in Hong Kong to include a wider range of banking services, partly through Grindlays Dao Heng Finance Company Limited which started business in August 1973, and partly through Brandts. In Japan we expect to start a full branch in Tokyo in June. In Malaysia, the Asian International Merchant Bankers Berhad, in which we are joined by Malaysian partners and the Fuji Bank, opened for business in October 1973. In Indonesia we have established a joint Representative Office with the Bankhaus Ludwig in Jakarta. In the Philippines we have acquired a 20% shareholding in Genbancor Development Corporation which produces for us a partnership with Filipino interests and two Japanese banks.

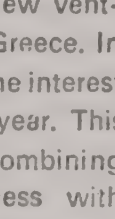
EUROPE

In Europe existing activities were strengthened in France and Switzerland, and new ventures were begun in Germany and Greece. In London results were dominated by the interest rate. Gillespies had a satisfactory year. This fulfills the hopes which we had of combining a sound confirming house business with National and Grindlays widely spread experience and contacts. Gillespies are planning to expand their base of operations into the Far East in the near future.

On the travel side, Cox & Kings are now the official tour operator for Air India for tours to India from the United Kingdom, and other new travel facilities are being developed.

OIL

The explosion in oil prices has produced wholly new problems for the economies of the less developed world. It is in that less developed world that we have much of our traditional business. It is our expectation, and certainly our hope, that the World Bank and governments of the developed world with the help of oil producing countries will, in the months ahead, produce satisfactory plans to fulfill the essential needs of these countries so that economic conditions can be stabilised and development continue.



The preceding are extracts from the annual statement of the Bank's Chairman, Lord Aldington. He also said:

STAFF:

I extend on behalf of all my colleagues a sincere word of thanks to all members of the Group's management and staff wherever they may work, for the strenuous effects which they have contributed to the success of the Bank.



GRINDLAYS

This is the last time I shall be writing an annual statement of National and Grindlays Bank Limited. The name will change on the 1st January, 1975 to Grindlays Bank Limited. Historically, Grindlays is our oldest name—146 years. May the new Grindlays Bank and all who work with us enjoy happiness and prosperity.

GROUP HIGHLIGHTS

	1973 £	1972 £
Capital & reserves (including loan capital & minority interests)	79.0 m	70.4 m
Deposits	1,330.3 m	1,021.7 m
Advances	728.7 m	557.4 m
Profit after tax before extraordinary items	3.95 m	5.07 m
Total addition to revenue reserves including extraordinary items	3.7 m	3.4 m

GRINDLAYS IN INDIA

ORIENTATION TO SOCIAL AND CUSTOMER NEEDS

The National and Grindlays network in India looks back on 1973 as a year of rapid and far reaching changes in the organisation, and in the business undertaken.

MARKETING

In 1973, we created a new marketing structure. Account Managers, trained in marketing and in modern methods of credit analysis, were posted in the larger cities. These officers are our front-line marketing management, charged with identifying the needs of customers and potential customers in specified market segments, and arranging to supply finance and allied services to satisfy those needs.

OPERATIONS

Other changes were put in train for improving the processing and delivery of our customer services. In this vital area, which we designate Operations, emphasis is being laid on providing special training for our officers and clerical staff, systems are being changed and modernised and office layouts and premises redesigned. By these means we are confident that we shall improve the quality and speed with which we serve our customers.

MbO

In pursuance of our management development policy, we have adopted the participative mode of Management by Objectives (MbO) Officers specially trained in Britain installed. MbO in our Western Region (Bombay) in 1973, and this life-style will soon be in operation throughout our entire Indian network.

SMALL-SCALE INDUSTRY

April 1973 saw the inauguration of our Small Scale Consultancy Services Division in Calcutta. This received a heartening response from the public in Calcutta, and led to our extending this service to Bombay. The Division offers a variety of specialist management services in the fields of systems design, marketing and financial control. The services of this Division are available to our customers and non-customers alike as it is our aim to provide a service which will add a new dimension of profitable growth to units in this vital sector of the Indian economy.

EXPORTS

Exports have been a priority in this Bank for over a hundred years. In 1973 our customers did particularly well in exports and we plan to give increasing and innovative attention to this sector.



STAFF DEVELOPMENT

We are conscious that further progress in the directions planned is possible only with systematic development of our human resources at all levels. Manpower planning, training and development are therefore receiving our closest attention. Our credit analysis training establishment—'ASIACAD' in Calcutta—provides advanced credit skills to our marketing personnel. We have also established in Bombay basic training in executive skills. This, and training in the techniques of modern banking, will soon be available to our staff from Regional Training Centres in Bombay, Calcutta and New Delhi. Our training facilities, including those for credit analysis training, have been made available to a limited extent to other banks and this will continue.

GRINDLAYS IN INDIA:

	1972	1973
	Rs. crores	
Deposits	334	368
Advances	232	265
of which:		
Small Scale Industry	14	17
Exports	52	62
Other priority sectors	5	6
Vital Industries:		
Engineering	38	45
Tea	31	30
Textiles	25	33
Chemicals	21	22

National and Grindlays Bank Limited

(Incorporated in the U.K. Members' liability limited)

The international bank at the nation's service

ASP/NGB 3.A

SRI CHAMUNDESWARI SUGARS LIMITED

Regd. Office : 21/13, Mahatma Gandhi Road, "Craig Park Layout" BANGALORE-1

Speech of Chairman, Thiru N. Mahalingam, B.Sc., F.I.E, Delivered at the Annual Meeting held on 27-6-1974.

Ladies and Gentlemen,

It gives me great pleasure to invite you all to this Third Annual General Meeting. The Directors' Report and the audited balance sheet of the company for the year ended 31st December 1973, together with the report of the auditors have been with you for some time and with your permission I take them as read.



Thiru N. Mahalingam, B.Sc., F.I.E,

This is indeed a happy occasion as the modern and well laid out sugar factory of your State is now working satisfactorily after getting over its teething troubles. It was formally commissioned on May 12, 1974 in the presence of a large gathering. With the active assistance provided by the State Government and after careful planning, the factory has been constructed in a record time of 17 months from the date of commencement of Civil-construction work, in spite of shortage of Cement, Steel and various other items. A good part of the plant and machinery had also to be transported by road from the manufacturing centres at Naini in U.P. and Walchandnagar in Maharashtra, because the Railways could not allot to your company the required wagons in time. The whole work has therefore been completed satisfactorily without any serious mishap and a well planned factory is now scanning the skyline of Mandya District, which is well-known for its industrial progress. Let me place on record my appreciation of the good work done by Managing Director Shri N. Chandappa and Commercial Director Sri A. Alagappan and General Manager Sri V. Venkata Reddy to get the scheme completed at an early date.

I am also happy to inform you that the capital outlay on this project has exceeded only slightly the original estimate of Rs 3.50 crores, the actual expenditure being Rs 3.65 crores. This small over run would have been much more but for the firm placing of orders for plant and machinery with main suppliers and careful supervision of the construction work of the factory buildings and other facilities. Since the estimates were framed in 1972, there has been an inordinate rise in prices for all items and it will cost very much more to construct an entirely new factory on the basis of present day costs. You will be glad to know that because of the firm placing of orders for all equipment well before December 1, 1973 your company will be deriving the full benefit out of the development rebate. It has been actually commissioned before end of May though recently it was announced by the Government that this tax benefit will be available to industrial units completing the erection of plant and machinery by the end of May next year, but orders for which had been placed before December 1, 1973. The fresh additions to the plant against earlier orders in the coming month will therefore be eligible for development rebate till it lasts.

The trial runs have been completed satisfactorily with the crushing of 21,000 tonnes of cane. As the quality of cane was not satisfactory due to the crushing operations being undertaken in an off season part of the year and the standing crop had also been adversely affected by the difficulties experienced in watering it due to the low level of storage in Krishnaraj Sagar the recovery was only about 7 to 8 per cent. It is however expected that as much as 3 lakh tonnes cane can be crushed before the end of 1974 and an average recovery of 9.5 per cent can be easily secured. With this flying start,the opportunity for realising satisfactory prices on free sale sugar in the open market and the Excise Duty rebate available for new factories in respect of production in excess of 50 thousand quintals of sugar, your Directors hope that reasonable profits can be earned in the first year of operations even after paying to the growers Rs 120 per tonne. The minimum price applicable to our factory is only Rs 80 per tonne. It is however considered advisable to encourage cane growers with the payment of an attractive price and make sure about an enlargement of the area under the crop for using effectively the installed capacity.

In view of the sharp rise in prices for many agricultural commodities and the higher cost of cultivation of cane as a result of jump in prices for inputs the Central Government has to review the policy in regard to the fixation of minimum prices for cane for the next season. The change in the basis for determining the minimum price for cane adopted by the Government for overcoming the difficulties by sugar mills in the Southern Region and other areas where the yield of cane in terms of weight per hectare was alright has operated satisfactorily. But the growers are now demanding much higher price and an early decision has to be taken in this regard if a large scale diversion of the existing area under cane is not to be diverted to the cultivation of rice or other crops. If the exfactory price for levy sugar was suitably refixed after taking into account also the increase in the cost of production of sugar mills on account of other factors, the industry, can pay to the growers prices higher than the minimum in the light of realisations on free sale sugar. With the prevalence of high prices for rice, wheat and other commodities and the prospect of an upward revision of procurement prices for rice before the kharif season harvest the Government should not delay its announcement in regard to the fixation of a higher minimum price for cane. A timely decision may be helpful in ensuring the required supplies of cane for sugar mills in order to establish a much higher level of production in the coming years.

It is necessary to achieve a continuous rise in output in the current plan period with a view to meeting not only the needs of the home market but also earning a sizable amount in foreign exchange through exports. Since the international price of sugar is £250-300 per ton of sugar it may be possible to export sugar and earn valuable foreign exchange. But due to low profitability in sugarcane growing and higher earning in other each crops like cotton, oilseed as also paddy there will be a large diversion from cane to other crops. To maintain the prospect of 4(

h ton achieved in 1973-74 will be necessary to give higher cane price as also a gher levy price.

In this new effort the States the tropical region will ve to play an important role. it has been latterly suggested at Maharashtra will have to stow greater attention to e cultivation of food crops order to reduce its deficits by eventing a further large in-ease in the area under cane, e three Southern States of arnataka, Tamil Nadu and ndhra Pradesh will have to count for a larger share of the crease in production that will ve to take place in the com-g years. Karnataka fortu-ately has the advantage of gher sucrose content in cane ke Maharashtra. But it has so the added advantage of eing in a position to increase ne area under cane gradually ithout prejudicing the culti-ation of other crops which oo require assured irrigation cilities.

The State Government is ow keenly aware of the need or tapping its huge irrigation nd hydel potential with the onstruction of new dams in the tate. The Kalinadhi project s also being vigorously im-lemented and when completed y the end of the current plan eriod it will be an immense ource of power like the Shara-athi project. This should acilitate the creation of ift irrigation arrangements ver large areas. With the new egions under the command f the irrigation projects now nder construction and the nergisation of pumpsets in a assive way, Karnataka will be n a position to increase subs-antially its output of food and ommercial crops. It is al-eady nearly self-sufficient in egard to its requirements of oodgrains and the small defi-it can be easily converted nto a surplus on the basis of xperience of Tamilnadu. It s reckoned that the irrigated rea under different crops will early double to 18 per cent rom the present level of 9 er cent of all cultivable land, y 1978-79.

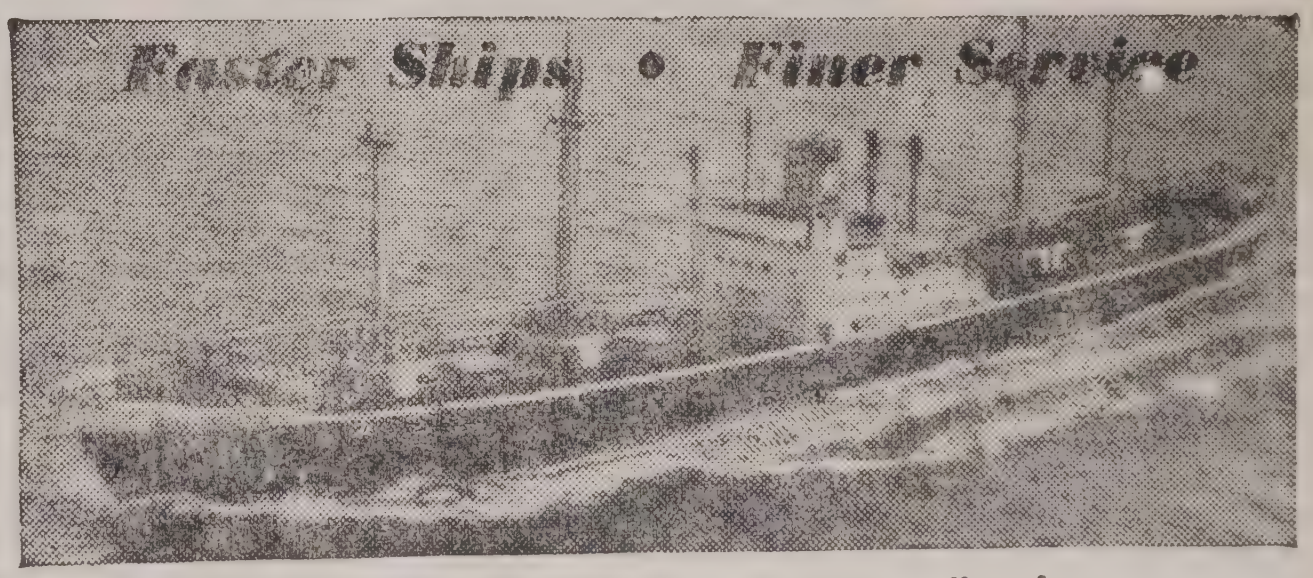
This prospect is indeed heartening as the sugar industry can expand in a big way in this region which is ideally suited for this purpose from various points of view. Even in the past 14 years there has been a more than trebling of sugar production to 3.2 lakh tonnes in 1973-74. With two new mills recently commissioned and the implementation of expansion schemes of the existing units sugar production in Karnataka can be nearly 4.5 lakh tonnes in 1974-75. I have every confidence that the sugar industry in Karnataka will grow at a fast rate in the coming decade and occupy an eminent position in the sugar map of the country.

In view of the assured outlook for sugar mills and the helpful attitude of the State Government your Directors are examining the scope for increasing the crushing capacity of your sugar mill. Already arrangements for cultivating cane on an area of 8,000 acres have been finalised while an aggregate area of 35,738 acres has been allotted to your company by the Karnataka Government for cultivating cane under the VC system. It is therefore confidently felt that there will be no difficulty in securing additional cane supplies for feeding the expanded capacity. The State Government has also made a fine gesture in the shape of concessions relating to Purchase Tax on cane supplies in respect of new and expanded capacity. It is also anticipated that there will be no difficulty in raising the required funds for financing the expansion scheme. The Central Government is being approached for obtaining the necessary permission for doubling crushing capacity. As soon as a clear picture emerges the details of the expansion schemes will be placed before the shareholders. Your company has therefore started functioning under happy auspices. There is every reason to believe that it will grow considerably in stature in the coming years.

I shall be failing in my duty if I do not handsomely and gratefully acknowledge the valuable assistance and guidance provided by the Government of Karnataka, State Bank of Mysore and the financial institutions. The machinery suppliers and others who have extended their full co-operation have also helped us to complete the project in a short period. The cane cultivators in the region have readily responded to suggestions extend the area under the crop and fresh development can take place on defined lines with their ready appreciation of the new opportunities and the use of existing facilities. The members of staff of our organisation can be really proud of the work done in the past two years and I offer them also thanks on behalf of the management.

Thanking you,

NOTE: This does not purport to be a record of the proceedings of the Annual General Meeting.



Our fleet of seventeen modern freighters offers fast,
regular and dependable service between

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INDIA—BLACK SEA & EASTERN MEDITERRANEAN PORTS
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INDIA STEAMSHIP CO., LTD.
"INDIA STEAMSHIP HOUSE", 21, OLD COURT HOUSE STREET, CALCUTTA-1

COMPANY AFFAIRS

Widia (India)

THE DIRECTORS of Widia (India) Limited have reported that the company recorded a profit of Rs 61.32 lakhs before depreciation as against Rs 47.11 lakhs a year before. After making provision for depreciation and taxation, the directors propose to keep Rs 2.67 lakhs for development rebate reserve. A Dividend of Rs 15 per share has been recommended. The dividend will be tax-free in the hands of the shareholders and when approved in the annual general meeting will be paid out of general reserve. The net sales turnover of the Company excluding export benefits has increased from Rs 165.00 lakhs in 1972 to Rs 221.81 lakhs in 1973, recording an increase of about 35 per cent over the last year. The export sales for the year also increased substantially from Rs 10.13 lakhs in 1972 to Rs 25.17 lakhs in 1973.

During the year under review, the company received two industrial licences for expansion; one for increase in the capacity relating to the manufacture of hard metal products from 24 tonnes to 48 tonnes per annum and the other for the manufacture of 60 tonnes of hard metal products per annum to be utilised exclusively for defence production. To meet part of the expansion costs relating to the manufacturing of 48 tonnes of hard metal products per annum, right shares are being issued to the Indian shareholders of the aggregate value of Rs 2.08 lakhs at a premium of Rs 140 per share. This right issue would bring down the shareholding of the foreign collaborators to 57.03 per cent of the paid-up capital of the company. Steps are being taken to instal the additional capacity as per the expansion licences issued in favour of the company.

Metal Box

The directors of the Metal Box Co. of India Ltd have reported that income from sales for the year amountdd to Rs 4686.02 lakhs. The increase over the previous year is Rs 584.98 lakhs, which resulted from selling price increases on account of material cost changes and increased excise duties. Profit after depreciation but before taxation is Rs 230.77 lakhs, an increase of Rs 128.81 lakhs over the previous year. This improvement in results was brought about by a change in the product mix and further improvements in operational efficiencies. Provision for taxation amounts to Rs 133.20 lakhs leaving a profit after tax of Rs 97.57 lakhs against Rs 57.95 lakhs in the previous year to which is added Rs 5.98 lakhs on account of profit on disposal of fixed assets and some adjustments of provisions relating to previous years.

A sum of Rs 12.50 lakhs has been added to the Development Rebate Reserve in respect for this year. Transfer to the debenture redemption reserve is Rs 30.00 lakhs against Rs 20.00 lakhs in the previous year so that the reserve now stands at Rs 90.00 lakhs. A sum of Rs 6.75 lakhs has been transferred to the general reserve thereby increasing it to Rs 176.00 lakhs. After making the above appropriations and providing for dividends, the balance unappropriated profit of Rs 0.13 lakh has been carried forward.

The Company has made an investment of Rs 2.50 lakhs in the equity share capital of United Glass Bottles Manufacturing Company Limited, Bangalore, set up for the manufacture of glass packaging. An investment of Rs 0.63 lakh has been made in the equity shares, partly paid, of Printing Machines India Limited, Kanpur, set up for the manufacture of letterpress printing machines. These investments are complementary to the company's existing business and will also benefit these companies. The accounts of the Company's subsidiary, Kosmek Plastics Manufacturing Limited, for the 12 months ended March 31, 1974, show an improved profit before tax of Rs 10.98 lakhs as against Rs 8.33 lakhs in the previous year. The subsidiary company's board has decided to plough-back the entire surplus in view of the company's commitments for purchase of plant and equipment.

United Commercial Bank

United Commercial Bank topped all nationalised banks in 1973 in the matter of branch expansion by starting 139 new branches in the country. At the end of 1973, UCO Bank had 670 branches in India and six overseas.

The deposits and other accounts of the Bank at the end of 1973 stood at Rs 480.65 crores against Rs 416.14 crores in 1972. The advances were Rs 315.28 crores against Rs 243.68 crores. The gross income improved on account of the increased volume of business and the profit for the year at Rs 180.68 lakhs was marginally lower than the profit for the previous year at Rs 180.78 lakhs owing to the low credit-deposit ratio for the best part of the year and increased operational costs.

In the deployment of credit the Bank continued to place emphasis on advances to t priority and preferred secti which stood at Rs 79.40 cror Of this, agriculture account for Rs 21.60 crores, small-sc industries, including transp Rs 26.59 crores, retail trade a professionals, Rs 9.11 cror and exports Rs 22.10 crore The major portion of expo finance was extended to e porters of cotton textiles, ju and jute goods, tea, shella engineering goods and hand crafts. The percentage of adv nces to priority sector to tot bank advances increased fro 24.8 in 1972 to 27.75 in 1973

SLM-Maneklal

Despite a modest increase sales, SLM-Maneklal Indus ries Ltd has earned a lowe gross profit of Rs 68.72 lakh for the year ended March 3 1974 against Rs 74.64 lakh for the previous year. Th directors have proposed dividend of Rs 12 per shar against Rs 17 paid for the pr vious year. The set-back in th company's performance ha been attributed to the closur of the plant for two month because of the strike and los of production for about month on account of politic disturbances in Ahmedaba Sales during 1973-74 totalle Rs 3.07 crores against Rs 3.0 crores the previous year.

Out of the gross profit, th directors have provided Rs 2 lakhs (Rs 23.23 lakhs) for de preciation, Rs 5.07 lakhs (R 4.60 lakhs) for development r bate reserve and Rs 23.25 lakh (Rs 27.50 lakhs) for taxatio This leaves a net profit of R 15.39 lakhs against Rs 19.3 lakhs. The proposed dividen will claim Rs 11.52 lakhs (R 16.32 lakhs). The company performance so far in the cu rent year has been encouragin with the turnover amounting t Rs 68 lakhs during the Apri June quarter against Rs 48.6 lakhs in the correspondin quarter last year. The compar hopes to achieve a tot turnover of Rs 4 crores in th current year.

West Coast Paper

The West Coast Paper Mil Ltd. is reported to have i

sed its production during year to June 1974 from 95 tonnes to 50,300 tonThe third paper machine been just commissioned at deli. This will raise the l production capacity of unit from 50,000 to 65,000 es per annum.

he current expansion proamme costing Rs 6 crores been completed within a rd period of 16 months n the date of issue of the im licence. The salient feaof the project is that the ort content has been kept he minimum which is only 91 lakhs as compared to total project cost of nearly 6 crores. The company is posing to instal a papriner on the paper machine the first time in India. papriformer will ensure duction of high quality er.

ew Issues

ikrant Tyres Limited, which setting up its venture at sore in the state of Karnaa, is expected to enter the ital market around Sepber to raise Rs 4.25 crores ough public subscription to 50,000 equity shares of Rs each and one lakh 9.8 per t redeemable cumulative ference shares of Rs 100 h. The authorised capital the company is Rs 11 crores, mprising 100 lakh equity ares and one lakh redeemle cumulative preference ares. Thirty-one lakh equity ares have already been subsbed to and paid up to the ent of 50 per cent by the rnataka State Industrial velopment Corporation ,00,000), directors of the mpany, their friends and assotes (16,50,000) and Consolited Coffee Ltd. (1,50,000) ares. The entire preference ue is expected to be taken by financial institutions and nks.

The company is licensed to oduce at present four lakh es and four lakh tubes per num. Nearly 75 per cent oduction will be of heavy ty tyres and tubes for trucks, ps, tractors, etc. The output can be raised to five lakh tyres and five lakh tubes per annum as in terms of the government decision towards the close of the sixties, licensed capacity can be worked to 125 per cent. The company, however, is installing plant and equipment with an in-built capacity to produce 7.5 lakh tyres and 7.5 lakh tubes a year so that when it asks for expansion later on, it will not have to incur further heavy expenditure.

Technical collaboration has been arranged from Technoexpert Foreign Trading Company of Czechoslovakia. This firm has been contracted to do a turnkey job. M/s Tata Consultants Engineers will be collaborating with the foreign consultants.

The project is estimated to cost Rs 23.50 crores. Compared with the present estimates of putting up a similar unit, the capital cost of Vikrant Tyres venture is appreciably lower because the promoters had contracted for the supplies of equipment from abroad —mainly from Czechoslovakia and some from West Germany and the Soviet Union — before the recent spurt in international prices. The supplies from Czechoslovakia, in fact, are being secured at 1971 prices, The project is envisaged to be financed through equity capital (Rs 6.5 crores), preference issue (Rs one crore), loans from financial institutions and commercial banks (Rs 11.66 crores), foreign exchange loans (Rs 77 lakhs) and deferred payments for imported machinery (Rs 3.57 crores).

Mysore being a backward district, the establishment of the company's project here will entitle it to the various concessions being provided by the central and state government for putting up industrial projects in backward areas. The company will also be entitled to development rebate to the tune of about Rs one crores as orders-for plant and machinery had been placed and letters of credit opened before December 31, 1973, and the major items of the plant would be installed before June 1, 1975. The plant is expected to go into production in December 1975 or January 1976. The company does not envisage any difficulty in either procuring inputs for its manufacturing programme or in the marketing of its products. It hopes to declare dividend at the rate of 10 per cent for the second year of its commercial operation — 1977. In the subsequent year, the dividend is expected to be raised to 12.5 per cent. After that it is likely to be raised to 15 per cent.

Khandelwal Herrmann Electronics Ltd., entered the capital market on July 9, 1974 with a public issue of 3,60,000 equity shares of Rs 10 each at par. The subscription list will close on July 16, or earlier but not before July 21, 1974. The public issue is fully under written.

Incorporated in 1961, as a private limited company it was converted into a public limited company in December, 1973. It manufactures miniature selenium rectifiers, photo cells and silicon diodes in collaboration with Herrmann K.G., W. Germany. A royalty of three per cent on the exfactory selling price is payable to the German collaboration. Of the total share capital of Rs 60 lakhs (including the present issue) as much as 35 per cent is allotted to nominees of M/s Herrmann K.G. towards the supply of plant and machinery.

The company obtained an industrial licence to produce 400,000 silicon diodes upto 1 Amp. rating, 500,000 selenium rectifiers of small ratings, 350,000 photo cells and 220,000 selenium rectifier plates. The modified licence also include the manufacture of 20,000 silicon diodes upto 400 Amps.

The present issue is to provide finance for the expansion of various items to the licensed capacities mentioned above. Among the major expansion will be the manufacture of one million pieces of 1 Amp. diodes in the first stage.. It is awaiting government's approval for import of plant and machinery. The company also holds a letter of intent to manufacture 10 million semiconductor devices. The capital cost of the project is estimated at Rs 39 lakhs to be financed entirely by the present issue, which besides the public issue of Rs 36 lakhs, will also consist of Rs 3 lakhs worth of

NOTICE

The Delhi Cloth & General Mills Co. Ltd.

In terms of Rule 4A of the MRTP Rules, 1970, it is hereby notified that The Delhi Cloth and General Mills Company Limited, Bara Hindu Rao, Delhi-110006, propose to make an application under Section 22 of the MRTP Act, 1969, to the Central Government in the Department of Company Affairs, New Delhi, in regard to its proposal to manufacture Caustic Soda/ Chlorine products with a capacity of 200 M. tons per day in a Backward District of Madhya Pradesh and involving an estimated investment in Land, Building, Plant and Machinery of Rupees 1800 lakhs approximately.

Any person interested in the matter may, if he so desires, intimate to the Central Government in the Department of Company Affairs, within 14 days of the publication hereof his views with regard to the proposal contained in this Notice and also the nature of his interest therein.

equity shares subscribed by the directors and their associates.

Universal Cans and Containers Ltd. a new company entered the capital market with a public issue of 135,000 equity shares of Rs 10 each at par. Of the auhorised capital of Rs 25 lakhs consisting of 250,000 equity shares of Rs 10 each, shares worth Rs 9 lakhs had been subscribed and paid-up. The subscription list for this fully under written issue will close on July 22 or earlier, but not before July 15, 1974. The company received an industrial licence to manufacture aluminium collapsible tubes with an annual capacity of 18 million tubes. The factory will be set up at Taloja, Kolaba —a backward area — on the outskirts of Bombay.

The capital cost of the project is estimated at Rs 48.5 lakhs, to be financed by share capital of Rs 22.5 lakhs, foreign exchange loan from ICICI of Rs 11.5 lakhs, long term loan from Maharashtra State Finance Corporation of Rs 8 lakhs and bank borrowings of Rs 6.5 lakhs. Aluminium collapsible tubes have wide usage in the field of packaging for cosmetics, pharmaceuticals, lubricants etc.

Company News

Dr. Beck & Co. (India) Ltd. has secured, against stiff competittion an order valued at Rs 69.6 lakhs from the USSR for supply of synthetic enamels for the Soviet electrical industry and another one from Kuwait for supply of epoxy filled cable joints valued at Rs 14 lakhs. Dr Beck & Co have been regularly exporting their products to various parts of the world including USA, USSR, Egypt, Greece, Malaysia and Kuwait and to-date the value of their exports totals Rs 15 crores.

Graphite India Ltd. has applied for substantial expansion under the 'export guarantee scheme' envisaging exports of carbon and graphite products keeping in view the world-wide energy crisis and the policy of the union government. Under the scheme, the company proposes to export nearly 3,000 tonnes of graphite products to international markets, particularly to the Far East and West Asia countries. The directors hope that after completion of all the formalities and approval received from the government, the company would be able to implement the expansion scheme within a couple of years thereafter.

A new company named Graphite Products Ltd has to encourage Research and Development. Subject to approval from the government and the shareholders, necessary steps are being taken for subscribing its share capital. With the graphitising complex at Bangalore going into operation in the last quarter of 1973, the production of electrodes and anodes had been slightly higher at 4,674 tonne compared to last year's 3,783 tonnes. Despite the low consumption by electric are furnaces and Chlor-alkali industries caused by the severe power crisis, the company's sales in 1973 had shown considrable improvement. Production and sales during the current year are also encouring and it is expected that working results would sh further improvements in 19 Sales for 1973 recorded a m ginal rise as against 1972 fr Rs 4.36 crores to Rs 4 crores. The profit for 19 was up by Rs 5.02 lakhs to 19.05 lakhs from Rs 14 lakhs in 1972. The profit w calculated after providing 48.75 lakhs for depreciati and Rs 58.25 lakhs for velopment rebate reserve. sum of Rs 19 lakhs had be transferred to the general serve, leaving a balance of 33,182 to be carried forward



RECORDS AND STATISTICS

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WO ORDINANCES were promul-ated by the President, Mr .V. Giri, on July 6, 1974, ith a view to curbing infla-on. One of these provided or limiting the dividend dis-ribution by companies and he other for a scheme of ompulsory deposit (for a eriod of one year) of dditional wages and salaries anctioned after the promulga-tion of the ordinance to the employees of the central and state governments, local bodies, companies, corpora-tions, societies and other industrial and commercial undertakings in both the public and private sectors and also other salaried employees who are liable to pay income-tax. Reproduced below are the full texts of the two ordinances and also the text of the press note issued on July 8, 1974, concerning issue of bonus shares by companies.

The Companies (Temporary Restrictions on Dividends) Ordinance, 1974 (No 7 of 1974)

Promulgated by the President in the twenty-fifth Year of the Republic of India.

An Ordinance to provide, in the interests of national economic development, for temporary restrictions on the power of certain companies to declare dividends out of profits and for matters connected therewith or incidental thereto.

WHEREAS Parliament is not in session and the President is satisfied that circumstances exist which render it necessary for him to take immediate action;

NOW, THEREFORE, in exercise of the powers conferred by clause (1) of article 123 of the Constitution, the President is pleased to promulgate the following Ordinance :—

1. (1) This Ordinance may be called the Companies (Temporary Restrictions on Dividends) Ordinance, 1974.

(2) It extends to the whole of India.

(3) It shall come into force at once.

Definitions

2. In this Ordinance, unless the context otherwise requires,—

(a) "appointed day" means the day on which this Ordinance comes into force;

(b) "company" has the meaning assigned to it in the Compnies Act, 1956, and includes a foreign company within the meaning of section 591 of the Companies Act, 1956, which has made arrangements prescribed under the Income-tax Act, 1961, for the declaration and payment of dividends within India;

(c) "distributable profits", in relation to a financial year of a company to which this Ordinance applies, means,—

(i) one-third of the net profits of the company for that financial year, or

(ii) an amount required to pay twelve per cent. dividend on the face value of the equity shares of the company and dividend payable on its preference shares.

whichever is lower;

(d) "financial year" has the meaning assigned to it in section 2 of the Companies Act, 1956;

(e) "net profits" means net profits of the company, as computed in accordance with the provisions of sections 349 and 350 of the Companies Act, 1956.

Applicability

3. This Ordinance shall apply to the following categories of companies, namely:—

(a) a company in which the public are substantially interested, as defined in clause (18) of section 2 of the Income-tax Act, 1961;

(b) a company, at least seventy-five per cent, of the share capital of which is, throughout the financial year for which any dividend is declared or paid, beneficially held by an institution or fund established in India for a charitable purpose, the income from dividend whereof is exempt from income-tax under section 11 of the Income-tax Act, 1961;

(c) an Indian company whose business consists mainly in the construction of ships or in the manufacture or processing of goods or in mining or in the generation or distribution of electricity or any other form of power;

(d) an Indian company, the value of whose capital assets, being machinery or plant (other than office appliances or road transport vehicles), as shown in its books on the last day of the financial year for which any dividend is declared or paid, is fifty lakhs of rupees or more;

(e) a company which has been exempted under sub-section (3) of section 104 of the Income-tax Act, 1961, from the operation of that section.

Explanation:—For the pur-

DIVIDENDS ORDINANCE AMENDED

THROUGH an ordinance promulgated on July 15, the President has amended the July 6 ordinance on declaration of dividends. The amending ordinance clarifies that the term "net profits" in the July 6 ordinance means profits after taxes, including income-tax.

In the July 6 ordinance, the expression "net profits" had been defined in accordance with sections 349 and 350 of the Companies Act. In defining "net profits", section 349 provides for deduction of various taxes from gross profits but does not provide for deduction of income-tax. According to this definition, "net profits" would have meant profits made before the payment of income-tax.

In a press release issued on July 15, the ministry of Finance has stated that the above was not the intetion of the government. The amending ordinance, therefore, has been issued to clear the confusion that might have been caused by the definition of "net profits" in the July 6 ordinance.

The amending ordinance defines "net profits" as follows : "Net profits" mean net profits of a company as computed in accordance with the provisions of section 249 of the Companies Act, 1956, subject to the modifications that (I) any income-tax payable under the Income-tax Act, 1961, in respect of the profits as so computed or any tax of a similar character payable in respect of such profits under any law in force in any country outside India, and payable in respect of such profits under the Companies (Profits) Surtax Act, 1964, shall also be deducted; and (II) depreciation shall be provided in accordance with the provisions of section 205 of the Companies Act, 1956.

pose of clause (c), the business of a company shall be deemed to consist mainly in the construction of ships or in the manufacture or processing of goods or in mining or in the generation or distribution of electricity or any other form of power, if the income attributable to any of the aforesaid activities included in its gross total income for the relevant financial year is not less than fifty-one per cent, of such total income.

Restrictions

4. (1) For a period of two years from the appointed day, no company to which this Ordinance applies shall declare or pay dividends for any financial year exceeding, in the aggregate, its distributable profits for that financial year irrespective of whether such declaration or payment is made out of the net profits of the company for that financial year or from the accumulated profits for any previous financial year or years.

(2) In computing the aggregate amount which may be declared or paid as dividends in accordance with the provisions of this Ordinance for any financial year, any amount paid or promised or partly paid and partly promised before the appointed day by way of interim dividends for that financial year shall be taken into account; but where the amount of such interim dividend paid before the appointed day exceeds its distributable profits for the financial year for which the interim dividend was paid, no further dividend shall be declared or paid by the company for that financial year.

5. Any dividend declared or paid after the appointed day by a company to which this Ordinance applies in excess of its distributable profits shall, to the extent of such excess, be void, and any amount paid by the company to any shareholder in excess of its distributable profits shall be recovered by the company and no such recovery shall be waived by the company.

6. For a period of two years from the appointed day, no company to which this Ordinance applies shall, except with the previous approval of the Central Government and subject to such conditions and limitations as may be specified by that Government, pay or distribute any interim dividends for any financial year, whether ending before or after the appointed day.

7. For a period of two years from the appointed day, no company to which this Ordinance applies shall, except with the previous approval of the Central Government,—

(a) make any distribution out of its assets;

(b) assume, whether conditionally or otherwise, any obligation to make distribution out of its assets;

(c) grant any loan to any shareholder of the company.

8. The provisions of this Ordinance shall have effect notwithstanding anything inconsistent therewith contained in the Companies Act, 1956, or in any other enactment (other than this Ordinance) or in any contract or instrument having effect by virtue of any enactment other than this Ordinance.

Penalties

9. Whoever contravenes any provisions of this Ordinance, shall be punishable with imprisonment for a term which may extend to three years, or with fine which may extend to twice the amount in relation to which such contravention has been made, or with both.

10. (1) Where an offence under this Ordinance has been committed by a company, every person who at the time the offence was committed was in charge of, and was responsible to, the company for the conduct of the business of the company as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly:

Provided that nothing contained in this sub-section shall render any such person liable to any punishment, if he proves that the offence was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such offence.

(2) Notwithstanding anything contained in sub-section (1), where any offence under this Ordinance has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

11. If any difficulty arises in giving effect to the provisions of this Ordinance, the Central Government may, by order, not inconsistent with the provisions of this Ordinance, remove the difficulty.

Restrictions on the Issue of Bonus Shares

Following the Presidential Ordinance regarding declaration of dividends, the government has placed further restrictions on the frequency of issue of bonus shares by all companies.

The time lag between the two successive announcements of bonus issues by a company has now been increased from 18 months to 40 months.

Similarly, the time lag for making applications for issue of bonus shares after they have been listed on stock exchanges or after the completion of despatch of share certificates has been increased from 12 months to 36 months.

These changes will come into force with immediate effect.

The existing guidelines announced by the government on March 2, 1974, i.e., Nos. 13 and 14, will be substituted by the following :—

"(13) Between two successive announcements of bonus issues of a company there should be time lag of at lea forty (40) months."

"(14) The company ma make a further applic tion for issue of bon shares thirty-six (3 months after the scr in respect of last bon issue is listed (if t company's shares a quoted on the Sto Exchange) or after th completion of despat of the share cert ficates."

The Additional Emoluments (Compulsory Deposit) Ordinance, 1974 (No. 8 of 1974)

Promulgated by the Pres dent in the Twenty-fifth Yea of the Republic of India.

An Ordinance to provid in the interest of nation economic development, for th compulsory deposit of add tional emoluments and for th framing of a scheme in relatio thereto, and for matters co nected therewith or incident thereto.

WHEREAS Parliament not in session and the Presider is satisfied that circumstanc exist which render it necessar for him to take immedia action;

NOW, THEREFORE, exercise of the powers confe red by clause (1) of article 1 of the Constitution, the Pres dent is pleased to promulga the following Ordinance :—

CHAPTER I

Preliminary

1. (1) This Ordinance m be called the Addition Emoluments (Compulso Deposit) Ordinance, 1974.

(2) It extends to the whc of India.

(3) It shall eome into for at once.

2. In this Ordinance, u less the context otherwi requires,—

(a) "appointed day" mea the day on which th Ordinance comes in force;

"additional dearness allowance" means such dearness allowance as may be sanctioned from time to time, after the appointed day, over and above the amount of dearness allowance payable immediately before the date from which such sanction of additional dearness allowance is to take effect;

"additional wages" means such wages, over and above the wages payable to an employee immediately before the appointed day, as may become payable to the employee after the appointed day in pursuance of any wage revision, whether by or under an agreement or settlement between the parties or any award, decree or order of any court, tribunal or other authority, but does not include—

(i) any increment due to the employee in accordance with the time scale of pay applicable to the post held by him immediately before the appointed day, and any consequent increase in any allowance admissible under any rule or order in force immediately before the appointed day;

(ii) any higher wages payable to the employee on his promotion or transfer to a post involving higher responsibilities and duties;

(iii) any honorarium payable for any work done outside office hours;

(iv) any allowance payable for over-time work;

(v) any increase in wages sanctioned in pursuance of the recommendations made by the Third Central Pay Commission;

(d) "bank deposit rate" means the maximum rate at which interest may be paid by a banking company on deposits (other than those maintained in saving accounts) in accordance with the directions made by the Reserve Bank of India in exercise of the powers conferred on it by section 21 or section 35A, or both, of the Banking Regulation Act, 1949;

(e) "deposit account" means the account opened and maintained under section 5;

(f) "emoluments" includes wages and dearness allowance;

(g) "employer" means:—

(i) in relation to an establishment which is a factory, the owner or occupier of the factory, including the agent of such owner or occupier, and where a person is named as manager of the factory under clause (f) of sub-section (1) of section 7 of the Factories Act, 1948, the person so named;

(ii) in relation to an establishment belonging to or under the control of the Central Government or a State Government, the person or authority appointed by the appropriate Government for the supervision and control of the employees, or where no person has been so appointed, the head of the Department concerned;

(iii) in relation to an establishment belonging to or under the control of any local authority, the person appointed by such authority for the supervision and control of the employees, or where no person has been so appointed, the Chief Executive Officer of the local authority;

(iv) in any other case, the person who, or the authority which, has the ultimate control over the affairs of the establishment, and where the said affairs are entrusted to any other person, whether called a manager, managing director or by any other name, such person, and includes, in the case of a deceased employer, the legal representative of such deceased employer;

(h) "notification" means a notification published in the Official Gazette;

(i) "prescribed" means prescribed by rules made under this Ordinance;

(j) "scheme" means a scheme made under this Ordinance;

(k) "wages" means all remuneration (whether by way of salary, allowances or otherwise) expressed, or capable of being expressed, in terms of money, which would if the terms of employment, express or implied, were fulfilled, be payable to a person employed in respect of his employment or of work done in such employment, and includes—

(i) any remuneration payable under any agreement, or settlement between the parties or any decree or order of any court, tribunal or other authority.

(ii) any remuneration to which the person employed is entitled in respect of overtime work or holidys or any leave period;

(iii) any additional remuneration payable under the terms of employment, including bonus, whether under a scheme of profit sharing or otherwise;

(iv) any sum which by reason of the termination of employment of the person employed is payable under any law, contract or instrument which provides for payment of such sum, whether with or without deductions, but does not provide for the time within which the payment is to be made;

(v) any sum to which the person employed is entitled under any scheme framed under any law for the time being in force;

(vi) any allowance paid for house accommodation, or where house accommodation is provided, the value of such accommodation, and the value of electricity or water, or both, supplied, and the value of medical attandance or other amenity;

but does not include—

(1) any contribution paid by the employer to any pension or provident fund, and the interest which may have accrued thereon;

(2) any travelling allowance or the value of any travelling concession;

(3) any sum, not exceeding rupees two hundred and fifty per annum, paid to the employed persons to defary special expenses entailed on him by the nature of his employment;

(4) any gratuity payable on the termination of employment in cases other than those specified in sub-clause (iv);

(5) any dearness allowance.

Applicability

(3) This Ordinance shall apply to an employee of—

(a) the Central or State Government;

(b) a local authority;

(c) a company as defined in section 3 of the Companies Act, 1956 including a foreign company within the meaning of section 591 of the Compenies Act, 1956, and a Government company as defined in section 617 of that Act;

(d) any other corporation, including a society est-

ablished by or under a Central, Provincial or State Act;

(e) any individual, association or body of individuals or Hindu undivided family liable to payment of tax under the Income-tax Act, 1961, and entitled to deduct from the wages paid to the employees for the purpose of determination of income-tax under that Act;

(f) any establishment, not being an establishment owned by Government, local authority or person specified, respectively, in clauses (a) to (e) [both inclusive], to which the provisions of any law relating to provident funds (other than those established under the Public Provident Fund Act, 1968) apply;

(g) any other establishment not being an establishment to which any of the foregoing clauses apply, established at the instance or in pursuance of a resolution, of the Central Government or wholly or substantially financed by that Government.

4. The provisions of this Ordinance shall have effect notwithstanding anything inconsistent therewith contained in any enactment other than this Ordiance or in any instrument having effect by virtue of any enactment other than this Ordiaance.

CHAPTER II

Compulsory Deposit of Additional Emoluments

5. (1) There shall be opened by such authorities as may be specified in the scheme (hereinafter referred to as the specified authority) two separate accounts, to be known, respectively, as the Additional Wages Deposit Account and the Additional Dearness Allowence Deposit Account, and different authorities may be specified for different categories of establishments.

(2) The specified authority shall, in relation to each Deposit Account, open a separate ledger account in the name of each employee in relation to whom any contribution is made to the said Account, and credit the contributions so made in the said ledger account.

6. (1) For the purposes of this Ordinance, the deductions specified in sub-section (2) shall be made,—

(a) in the case of additional wages, for a period of one year from the appointed day; and

(b) in the case of additional dearness allowance, for a period of two years from the appointed day.

(2) On the commencement of this Ordinance,—

(a) every employer, who draws or disburses, after the appointed day, wages of an employee to whom this Ordinance applies, shall, as and when wages are disbursed by him for any period, deduct from the wages so disbursed, the whole of the additional wages and one-half of the additional dearness allowance and credit the amount so deducted, in accordance with the scheme, to the Additional Wages Deposit Accouut and the Additional Dearness Allowance Deposit Account, respectively;

(b) any gazetted or other officer to whom this Ordinance applies, who draws, after the appointed day, his own wages, shall make deductions in each wage bill in respect of the whole of the additional wages and one-half of the additional dearness allowance, and the authority which maintains the accounts of the wages drawn by such gazetted or other officer shall credit the amount so deducted, in accordance with the scheme, to the Additional Wages Deposit Account and the Additional Dearness Allowance Deposit Account, respectively;

(c) every other employer, who disburses, after the appointed day, wages to any employee to whom this Ordinance applies, shall, as and when wages are disbursed by him for any period, deduct from the wages so disbursed, the whole of the additional wages and one-half of the additional dearness allowance, and shall remit, in accordance with the scheme, the amount so deducted to such authority as may be nominated by the Central Government in this behalf, and on receipt of such amount the nominated authority shall credit the amount so received to the account of the concerned employee in the Additional Wages Deposit Account and the Additional Dearness Allowance Deposit Account, respectively.

(3) The specified authority shall, as soon as may be practicable after the end of each year, prepare separately, in relation to the amounts credited to the respective Deposit Accounts to the credit of each employee, and furnish to the employee a copy of the said accounts showing therein separately the amounts credited thereto in relation to the employee and the interest due thereon.

Interest

7. (1) Every amount credited under section 6, in relation to an employee in a Deposit Account, shall carry simple interest at a rate, which shall be two and a half per cent, over and above the bank deposit rate.

(2) The interest due on the amount credited in any Deposit Account shall be calculated in such manner as may be specified in the scheme.

(3) Interest accruing on amounts credited under section 6 to any Deposit Account shall enure to the benefit of the employee in relation to whom such amounts have been credited.

(4) For the purpose of the deduction under section 80L of the Income-tax Act, 1961, interest received on a depo under this Ordinance shall deemed to be interest recei on a deposit with a bank company to which the Bank Regulation Act 1949, applies

8. (1) For the purposes computing, under the Incor tax Act, 1961, the total inco of an employee, the amou credited to his ledger accou in the Additional Wages D posit Account or the Additio al Dearness Allowance Depo Account shall not be includ in his total income of the p vious year in which it is credited; but so much of t amount as is repaid to h shall be liable to be includ in his total income of the p vious year in which it repaid.

(2) For the purposes computing, under the Incon tax Act, 1961, the total incor of an employee, the amou repaid to him under this Or nance shall be deemed to salary paid to him in arrea and the provisions of sub-se tion (1) of section 89 of th Act shall apply accordingly.

Explanation.—In this secti "previous year" and "to income" have the meanin respectively assigned to the in the Income-tax Act, 1961.

Repayment

9. (1) Subject to the pr visions of sub-section (2), eve amount credited to the Depo Accounts shall be repayab with interest due thereon,—

(a) in the case of an amou credited to the Additio al Wages Deposit Accou at any time after t expiry of one year fr the appointed day; and

(b) in the case of an amou credited to the Additio Dearness Allowance D posit Account at any ti after the expiry of t years from the appoint day:

Providing that nothing this section shall prevent e lier repayment of any amou credited to either of the D posit Accounts with inter due thereon in any case which the authority empower to make such repayment

ed that extreme hardship e caused unless such re-ent is made:

rovided further that an oyee may, at his option n the whole or any part he amount credited in ion to him in the Addition-ages Deposit Account or Additional Dearness Al-nce Deposit Account, or , untill his superannuation ntill such date as may be fied by the Central Govern-in this behalf:

rovided also that the whole e amount standing to the it of an employee in either oth of the Deposit Accoun-all be repaid to him on superannuation or resigna-from office or if he ceases e in the service of the em-er by whom the amount credited to the Deposit ount.

2) The aggregate amount lited to any Deposit Ac-nt by or in relation to an loyee shall be repaid to the loyee in five equal annual alments commencing from expiry of one year or two rs, as the case may be, from appointed day, together h interest due on unpaid alment or instalments.

v Scheme

10. (1) The Central Govern-nt shall, by notification, me one or more schemes, be called the "Additional oluments Compulsory De-it Scheme", in relation to amounts credited to the posit Accounts under this dinance.

(2) A scheme framed under -section (1) may provide

) the authorities by which the Additional Wages Deposit Account and Additional Dearness Allowance Deposit Account shall be opened and maintained;

) the manner in which amounts deducted from additional wages or additional dearness allowance shall be credited to the respective Deposit Account;

) the documents to be issued to persons in relation to whom amounts have beed credited to the Deposit Accounts as evidence of such credit;

(d) authority or authorities by or through which credits to the Deposit Accounts may be made;

(e) the accounts to be maintained with respect to the amounts credited to the Deposit Accounts and the officer by whom such Accounts shall be maintained;

(f) the nomination of persons to receive the amount standing in a Deposit Account to the credit of an employee in the event of his death; and cancellation or change of such nomination;

(g) the issue of duplicate of any document issued as evidence of any credit in the event of loss or destruction of the original and the fee, not exceeding rupees two, on the payment of which such duplicate may be issued;

(h) repayment of amounts credited to the Deposit Accounts with interest due thereon and the conditions, if any, under which such repayment may be made;

(i) any other matter which may be necessary or proper for the effective implementation of the scheme.

(3) A scheme framed under this section may provide that all or any of its provisions shall take effect, either prospectively or retrospectively, on such date as may be specified in this behalf in the scheme and every scheme framed under this section shall have effect notwithstanding anything contained in any law (other than this Ordinance) for the time being inforce or in any instrument having effect by virtue of any enactment other than this Ordinance.

(4) The Central Government may make a scheme to add to, amend or vary any scheme made under sub-section (1).

11. Where the amount of any credit to be made in any Deposit Account contains a part of a rupee, then, such part, if it is fifty paise or more, shall be increased to one complete rupee and if it is less than fifty paise, it shall be ignored.

CHAPTER III

Miscellaneous

12. (1) Whoever, with a view to—

(a) avoiding making any deductions of additional wages and additional dearness allowance and crediting the same to the Additional Wages Deposit Accouut or the Additional Dearness Allowance Deposit Account, as the case may be; or

(b) aiding or abetting any other person to avoid making any such deduction or credit, knowingly makes, or causes to be made, any statement or representation which he knows to be false or does not believe to be true, shall be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to one thousand rupees, or with both.

(2) Any employer who omits or fails, without any reasonable excuse, to comply with the provisions of this Ordinance or of any scheme or order made under the scheme, shall be punishable with imprisonment for a term which may extend to one year, or with fine which may extend to one thousand rupees, or with both.

13. (1) Where an offence under this Ordinance has been committed by a company, every person who at the time the offencc was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the

WITH

BEST COMPLIMENTS

FROM

MALWA STEEL TUBE PRIVATE LTD.

Industrial Area, Mohali (Punjab)

company, shall be deemed to be guilty of the offence and the shall be liable to be proceeded against and punished accordingly:

Provided that nothing contained in this sub-section shall render any such person liable to any punishment, if he proves that the offence was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such offence.

(2) Notwithstanding anything contained in sub-section (1), where any offence under this Ordinance has been committed with the consent or connivance of, or attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secratary or other officer shall be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly.

Explanation:— For the purpose of this section,—

(a) "company" means anybody corporate and includes a firm or other association of individuals; and

(b) "director", in relation to a firm, means a partner in the firm, and, in relation to a Hindu undivided family, means the *Karta* of such family.

14. Where the Central Government is of the opinion that it is necessary or expedient so to do either in the public interest or having regard to the peculiar circumstances of any case, it may, by notification, and subject to such conditions if any, as it may specify in the notification,—

(a) exempt any establishment or category of employees working in any establishment from the operation of all or any of the provisions of this Ordinance;

(b) exempt, in the case of extreme hardship to any employee, from crediting any amount in relation to such employee to the Additional Wages Deposit Account;

(c) empower deductions from additional wages in relation to an employee or class of employees, at a rate of lesser then the rate specified in this Ordinance.

15. The Central Government may, by notification, direct that any power which may be exercised by it under this Ordinance or any scheme framed under this Ordinance shall, subject to such restrictions and conditions, if any, as it may specify in the notification, be exercised also by—

(a) such officer or authority subordinate to Central Government; or

(b) such State Government or such officer or authority subordinate to a State Government; or

(c) such other authority as may be specified in the notification.

16. (1) The amount standing to the credit of any employee in any Deposit Accoun shall not be liable to attachment under any decree or order of any Court in respect of any debt or liability incurred by the employee.

(2) Any amout standing to the credit of an employee in any Deposit Account at the time of his death and payable to his nominee nnder the scheme shall vest in the nominee and shall be free from any debt or other liability incurred by the deceased or incurred by the nominee before the death of the employee.

17. (1) The specified authority may call for such returns as may be prescribed from any employer to whom this Ordinance applies.

(2) The books of account and other books and papers of any employer to whom this Ordinance applies shall be open to inspection by the specified authority or an officer of Government authorised by the Central Government in this be half during the business hours:

Provided that such inspection may be made without giving any previous notice to the employer or any officer of the employer.

(3) The specified authority or any authorised officer may during the course of inspection

(i) make, or cause to be made, copies of the books of account and other books and papers;

(ii) place, or casue to be placed, any marks of identification thereon in token of the inspection having been made.

(4) It shall be the duty of every employer to whom this Ordinance applies, to produce such books of account and other books and papers as the specified authority or the officer making the inspection may require.

18. No suit or other legal proceeding shall lie against the Central Government or any state Government or any officer authorised by the Central or State Government to discharge any functions under this Ordinance applies for any loss or damage caused or likely to be caused by anything which is in good faith done or intended to be done in pursuance of this Ordinance.

19. Any amount which ought to have been credited under this Ordiaance to Deposit Account but has not been so credited, shall be recoverable as an arrear of land revenue.

20. (1) The Central Government may, by notification, make rules to carry out the provisions of this Ordinance

(2) In particular, and without prejudice to the generality of the foregoing power such rules may provide for all or any of the following matters, namely:—

(a) the conditions under which any category of employees may be e ted from the provisi this Ordinance;

(b) the manner in which rest is to be compute the amounts dep in the Additional Deposit Account and ditional Dearness A ance Deposit Accou

(c) the manner in withdrawals from Additional Wages D sit Account or Ad nal Dearness Allow Deposit Account m made;

(d) any other matter in tion to which such r required to be, or be made.

(3) Every rule and scheme made by the Ce Government under this nance shall be laid, as soo may be after it is made, b each House of Parlia while it is in session for a period of thirty days which be comprised in one se or in two or more succe sessions, and if, before the piry of the session immedi following the session or successive sessions afore both Houses agree in ma any modification in the ru scheme, as the case may or both Houses agree the rule or scheme, as case may be; should be made, the rule or sch shall thereafter effect only in such mo form or be of no effect, a case may be: so, how that any such modificati annulment shall be wit prejudice to the validity o thing previously done u that rule or scheme.

21. If any difficulty in giving effect to the p sions of this Ordinance Central Government ma order, not inconsistent wit provisions of this Ordin remove the difficulty;

Provided that no order shall be made afte expiry of a period of two from the appointed day.

A nation waits

THE PRIME minister is not unreasonable when she pleads that the government's anti-flationary measures should be evaluated in their totality and that critics should resist e temptation to judge them individually, ignoring how they stand in relation to one nother as well as to the larger programme of which they are constituent elements. Irs Gandhi however is not making it particularly easy for us to follow her dvice. This journal has already accepted in principle as well as in their broad etails both the necessity for and the utility of the two ordinances one of which im-ounds in the form of interest-bearing deposits increases in wages and salaries and ther emoluments and one-half of the increases in dearness allowance and the other mposes a restrictive ceiling on the distribution of dividends on equity shares. t is also inclined to view favourably the latest (at the time of writing) ordinance roviding for specified percentages of taxable incomes exceeding Rs 15,000 being ompulsorily deposited by income-tax assessees in interest-bearing deposits.

At the same time this journal cannot but share the feeling prevailing in the coun-ry that, if the priority given to these measures is an indication of the relative impor-tance the government attaches to them in terms of its larger anti-inflationary programme, here is not sufficient warrant for the country entertaining high expectations of its effec-iveness. In other words, the government seems to have done not only the easiest things first but also those which are relatively less significant for the national purpose of stabilizing prices, while promoting higher levels of economic activity. This complaint gains all the more in substance when considered in the light of the fact that the measures so far taken are by no means free from grave defects or deficiencies and are therefore likely to do more harm than good unless they are accompanied promptly by a vigorous programme of promoting production, employment and investment both in the short term and the long.

While it is indeed imperative that the government should attempt to arrest in-flation, it is not less important that it should ensure simultaneously that there is no re-cession in the economy which would aggravate unemployment and the investment-cum-production crisis which is the root cause of all our economic ills including em-phatically the inflationary rise in the price level and shortages of all kinds of goods and services and, in particular, essential consumer goods. In fairness to the prime minister it must be conceded that she has not yet had a proper opportunity to spell out in its entirety or even in its essentials the anti-inflationary programme which the government evidently has in view. The monsoon session of parliament however has started this week and it is desirable that Mrs Gandhi should not let many days pass without making a detailed statement. It is to be hoped, in fact, that by the time this issue of *Eastern Economist* is published, the public has had the advantage of being given by the prime minister a clear picture of what the government proposes to do to stimulate savings and investment as well as production.

The minimum condition for a positive anti-inflationary programme is of course that there should be a revival of confidence all round. Here it must be admitted that, whatever may be their other merits, the recent ordinances, both severally and collec-tively, have created the impression that the government is unfairly squeezing more and more tightly exactly those sections of the population which have been contributing the most to public revenues through the various taxes, direct or indirect. This critic-ism is particularly applicable to the compulsory deposit scheme imposed on assessees having taxable incomes of over Rs 15,000. It has been pointed out quite properly that it is unlikely that there will be any large net addition to savings in this case. What would probably happen is that the compulsory deposits would be made with money a high proportion of which would in any case have been saved, perhaps mainly in the form of bank deposits or investment in Units.

There is also the rather serious matter of the dislocation which the ordinance im-posing dividend restraint has caused in the capital market. While this journal sees no

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eason for revising the assessment made n its last issue, while commenting on the rdinance in its original form, that the lividend restraint imposed by it "may ave an adverse psychological impact only emporarily" where genuine investors are oncerned, it is beyond question that the ubsequent amendment, which clarified he government's intention of relating the eiling on dividends to the profits after axation (and not the profits before axation as was clearly implied in the riginal text), has caused serious and voidable damage to legitimate investor nterests and expectations. The effect of his amendment has been to depress permissible dividends arbitrarily to unacceptbly lower levels in the case of a large umber of equity shares. The inequity ere is all the more unjustified since the hareholders worst affected are those who ave invested in the equities of companies vhich have already been subjected to statutory limitations on the distribution of lividends or which have been following a rudent or even conservative policy of lividend distribution.

While it may be conceded that an ordinance of this kind can never be so discriminating as to be able to hold the scales even as between individual companies or even categories of companies, which must necessarily differ in their respective circumstances, there must surely be something very wrong with a scheme which has so heavily penalized shareholders of electricity companies or companies such as Tata Steel, which has been compelled to slash its dividend to as low a level as Rs 4.75 per share although its profits made it possible for its board of directors to recommend a dividend of Rs 8.60 per share before the ordinance was promulgated. It is worth noting that, apart from the investors who had deliberately sought security for their funds at a relatively low but fairly steady yield, it is institutions such as the Unit Trust and LIC which have been most severely hit by the amended ordinance. The government consequently is under pressure from various quarters to correct this situation by modifying the dividend restraint scheme suitably.

Various proposals are in the field but most of them suffer from the fact that, besides being administratively too complicated to be administered efficiently, they are likely to defeat the central purpose of the government which is to restrict substantially the volume of money made available to the public in the form of dividends. There is however one simple proposition which seems to be worth looking at in this context. This is the suggestion that, just as a ceiling has been fixed on dividends, a floor may also be provided, say, at 8 per cent, meaning that, where the disposable funds are adequate for the purpose, the company concerned should be permitted to declare dividend at this rate even if the amount appropriated for this purpose exceeds 33⅓ per cent of the profits after taxation. With this modest change the dividend restraint scheme should be able to avoid artificially forcing down dividends to grossly low levels or cutting into the finances of the LIC and the Unit Trust a good part of the equity portfolios of which is of shares most affected by the amended ordinance.

An improvement of the dividend restraint scheme in this direction could do much to revive the capital market and investment activity. If simultaneously the LIC and the Unit Trust would adopt a dynamic policy of investment in equities by making large purchases of sound shares at the lower levels of prices now obtaining, they will be doing a service both to themselves and to the nation's economy in the larger sense. It may be noted here that the LIC has been keeping away from the share market for quite some time now and it would therefore be a good proposition for this large, institutional investor to re-enter the market in the present circumstances. If imaginative support is given to equity prices at the present time by the LIC and the Unit Trust, their operations could not only show handsome profits in due course but also assist in gradually improving the climate for new issues.

The nervousness in the capital market, however, is only part of what seems to be a developing crisis of confidence in the business world. The anti-inflationary measures so far taken by the government, instead of re-assuring industry and commerce that economic stability has become the immediate and effective purpose of official policies, has given rise to grave doubts and fears about the outlook for production and investment. For this the ordinances are less to blame than the loose talk that is going on about the further steps that the government may possibly take to reduce money supply or cut into the people's purchasing power. The government is being almost pressurized into considering demonetization or, alternatively, some such scheme as the SEMI-BOMBLA prescribed by the Vakil group of economists. There is as much despair as there is confusion in these counsels. It is indeed strange that so many people should have so firmly concluded that the only way to deal with black money is to slash at all money.

It is after all quite obvious that the government has all the legal powers it needs to pursue and punish hoarding, black marketing, smuggling or other economic crimes or anti-social activities. It is the duty of responsible public opinion to insist on the government using these powers without fear or favour. It cannot be pleaded, of course, that although the legal powers are there on paper the administrative machinery for making use of these powers is inadequate or not sufficiently efficient. The government's administrative resources are much larger than is commonly imagined and there is no reason whatsoever for assuming that they will be unequal to the job even if they are purposively and fully deployed. After all no attempt has been made all these days to put the administrative machinery to the test in these terms. What might have been lacking and what may still be wanting is the necessary political will on the part of the government. It is also probably true that this will is being inhibited by unworthy political or even personal considerations influencing the government at its higher levels including the highest. If this is so, it is all the more necessary for the public not to let itself be diverted by high-powered sales talk of demonetization or other adventurist monetary prescriptions, but insist on the government dealing with black money through the legal and administrative means available to it.

It is conceivable that this insistence

must in the last resort take the form of even popular action at the political or semi-political level to force the government to act against organized hoarding, profiteering, smuggling or other activities which generate or are sustained by black money. Perhaps the agitation in Bihar is one possible way of activating political opinion in these terms. It should not however be necessary for the prime minister to wait for the temptation, or rather the provocation, to grow stronger. We would therefore advise her to clear the atmosphere by declaring that the government has no intention whatsoever of punishing black money by penalizing all money but would use all its legal powers with great force and determination to discover and proceed against activities which lead to the generation of black money or involve its use. At the same time she should also come forward with a positive economic policy for promoting production through the removal of restraints on the full utilization of existing capacities in industries, the modernization or expansion of existing units or the establishment of new industries. In view of the recent ordinances and the effect they are having on the capital market there is less reason now than ever before to fear that there will be a runaway investment boom in the country. On the contrary, the economy is running the risk of investment slowing down dangerously or industrial expansion coming to a grinding halt.

The prime minister is fond of quoting global parallels or analogies to our economic problems or situations. We hope that she knows or has been told that, even in countries where labour and other resources are fully employed and there is inflation to a greater or less extent, the talk today is of the need for keeping ready the tools of reflation to be used in time. It is even more necessary for us to be on guard against recession since in our country resources are chronically underemployed while a rising population is continually outstripping the availability of goods of mass consumption. Although the monsoon is still in its earlier stages, there is already enough indication that this time the weather may not be to blame should our food economy continue to be in a mess. If the government could only use the carrot and the stick intelligently, not only will agriculture produce more but what has been or will be produced will also be available to the people with less difficulty and at more reasonable prices. As for industries, the men and the machines have always been there and more will be forthcoming. All that would be needed are pricing and credit policies which are production-oriented, and a little more organizational efficiency on the part of the government in those areas of production or investment where it has assumed large responsibilities as, for instance, power, transport, coal, steel and fertilizers.

After the first decade

WHEN THE Unit Trust of India (UTI) commenced its operations in 1964, great hopes were raised in regard to the part which it would play in the capital market of the country and the savings of the people which would be mobilised through it. It was stated by official spokesmen at that time that the UTI would attract substantial savings of those sections of society which usually opted for equities and which were on the look-out for investment avenues giving a reasonable yield as well as appreciation in capital. The performance of the UTI in the first decade has been far from flattering regarding (i) mobilisation of savings, (ii) persuading increasing numbers of people to invest in units, (iii) providing adequate yield on units, and (iv) ensuring adequate appreciation in the value of units.

In the very first year of its operation (i.e. 1964-65), it sold units worth Rs 19.10 crores with a promise of steady expansion in the succeeding years. However, in the four-year period ending in 1968-69 it failed to attract, in any single year, by sale of units funds equivalent to those which it did in the very first year. In fact, the performance in 1965-66 was dismal with the sale of units at Rs 2.20 crores only. The sales improved in 1969-70 to Rs 22.8 crores but they fell again in the succeeding two years; in 1972-73 sales staged a recovery to Rs 23.0 crores followed by a further upturn to Rs 30.30 crores in 1973-74. As the household savings in the economy were placed at more than Rs 3,000 crores in 1973-74, the share of the UTI in it was hardly one per cent. Thus the earlier expectation that the units would attract very large funds from investors has been belied mainly because the UTI has not given a good account of itself. Had it offered attractive yield on investment coupled with a substantial appreciation in unit values, it could have multiplied its sales manifold. With the value of outstanding units at Rs 170 crores after a decade, the UTI remains a relatively small partner in the savings club consisting of the banking system, the small savings schemes of the government, the Life Insurance Corporation and the non-banking companies.

Let us examine the yield on units during the past decade. In the very first year, the yield was not more than 6.1 per cent which steadily rose to 8.5 per cent in 1972-73 and has been maintained at the same level in 1973-74. A yield only slightly above the Bank Rate kept many an investor away from the UTI because in the money market much higher rates of interest were available on other types of financial instruments such as deposits with non-banking companies. The explanation given by Mr J. S. Raj, chairman of the UTI, that the rather depressing sale of units at Rs 2.2 crores in 1965-66 was largely due to the higher yields available elsewhere, was true not only in that year but in fact throughout the period under review. If there were some relatively good years when the UTI sales showed improvement, they were due to the incentive provided by the ministry of Finance in regard to exemption in income tax. It may be recalled that in 1964, the government had exempted earnings from units up to Rs 1,000 from income tax and the effect of this concession was promptly reflected in the sale of units in 1964-65. In 1970, when units ceased to enjoy any superior status over investments in shares or bank deposits, they lost their special appeal and hence the lukewarm response to units.

Besides low yield, the units have not

shown any praiseworthy capital appreciation. The UTI has offered during the current month, as a special case, the sale of units at Rs 10.30 a unit i.e. 30 paise higher than the price at which the first unit was sold in the very first year of its operation. It means that the unit has appreciated not more than three per cent in 10 years. This is not something which will entice an investor. Even if we ignore this special price and consider the price which was offered in the beginning of the season last year, namely Rs 10.45 per unit, the capital appreciation works out to be not more than 4.5 per cent which, again, does not appear very attractive.

In a pamphlet (No 75) written for *Commerce*, Mr James S. Raj, chairman of the UTI has been at pains to explain why it has not been possible to show any significant appreciation in the value of units. Surely the non-adoption of the so-called "formula sale price" does not mean that the UTI has acquired certain reserves which on a future date will boost its capital appreciation. States Mr Raj: "The main reason for this policy is that in the present Indian stock market conditions of extreme volatility of share prices, the formula price would show considerable up-and-down variations which might unnerve the unit-holders and lead to panic purchases of units from and sale of units to the Trust. Furthermore, the fact that the 'formula price' is always higher than the unit price means that there is a hidden reserve in existence". But the moot question is: how big is this reserve. The investing public, it needs to be stressed, usually hunts for shares which appreciate at least by 50 per cent in a decade. The increase in value by four to five per cent in 10 years is neither here nor there.

Again, the number of unit-holders on the registers of the UTI at persent is a little more than 500,000. Surely there are a number of persons who have more than one account in the UTI. Thus the exact number of investors attracted to the UTI is much smaller than the number of accounts. It is apparent that the concept of investment in securities through units has not taken roots in this country largely because of the working operations of the UTI which have not shown very encouraging results. It seems that the UTI has erred in locking up more than half of its funds in debentures and preference shares where the yields are fixed. As on June 30, 1973, preference shares, debentures and others claimed 57.2 per cent of its investments. A judicious choice of ordinary shares and increasing investments in them might put some cheer in units. Lately, the UTI has in fact been shifting its investments increasingly to ordinary shares; the investment in ordinary shares has been increased from 37.4 per cent in 1971-72 to 42.8 per cent in 1972-73. This policy needs to be continued. However, the lopsided emphasis on debentures and preference shares in the past reduced the profitability of its operations and made the units far less attractive.

The profitability of the investments made by the UTI in securities is likely to receive a severe jolt in the current year as a result of the recent ordinance which has curbed the distribution of profits of the corporate sector. The fall in dividend income is expected to be substantial making it rather difficult for the UTI to maintain its yield even at the last year's level. The chairman of the UTI has however assured the unit-holders that the trust would make all possible efforts to maintain the yield during the current year at the last year's level. For this, the UTI will have to make a choice of high-yielding securities. Income could also be increased by short-term money market operations. It remains to be seen how the fall in income suffered by the UTI due to the reduced dividends is made up by clever moves elsewhere.

Port prospects in Calcutta

THE GOVERNMENT of India has been giving a great deal of importance to the promotion of exports but the improvement of ports does not seem to be receiving sufficient attention. This is particularly true of the Calcutta port which plays a crucial role in the country's foreign trade, accounting for over 40 per cent of exports and nearly 30 per cent of imports. The problems of the Calcutta port have been frequently brought to the notice of the government of India but there does not appear to be a sense of urgency in tackling them. Recently, when Mr Kamlapati Tripathi, the union minister for Shipping and Transport, visited Calcutta, the Association of Shipping Interests drew his attention to the difficulties faced by its members in operating in the Calcutta port. The association which consists of 25 members representing all shipping interests, Indian and foreign, made a number of specific suggestions to the minister and it remains to be seen how quickly and effectively he will be able to act on them.

The cargo handled by the Calcutta port, including Haldia, rose from 6.82 million tonnes in 1969-70 to 7.30 million tonnes in 1971-72. But it declined to 6.62 million tonnes in 1972-73 and 4.47 million tonnes in 1973-74 (up to November 1973). The fall has taken place both in the export and import cargo. The number of ships that entered the Calcutta port in 1972-73 was only 1155 compared to 1244 in the previous year. in 1973-74 (up to the end of October 1973) 648 ships entered the Calcutta port compared to 1276 in Bombay. In 1972-73 the number of ships that entered the Bombay port was 2450.

These figures indicate the declining importance of the Calcutta port in recent years. This is also reflected in the financial position of the port which in 1972-73 showed a net deficit of Rs 745.07 lakhs compared to Rs 118.62 lakhs in 1971-72. It is significant that the Bombay port had a surplus both in 1971-72 and 1972-73, amounting to Rs 227.06 lakhs and Rs 173.35 lakhs respectively. The cargo handled at the Calcutta and Bombay ports as well as their operating conditions are different. Even so, the Calcutta port can certainly have shown a better performance if the administration had handled its problems with competence.

Excessive detention of ships has been a major problem in the Calcutta port. In April this year, 27 incoming ships and one outgoing ship suffered detention,

d it has been estimated that a total of ship-days were lost to the former and ship-days to the latter. Several reasons re responsible for this detention such bore tides, non-availability of pilots, d engine trouble but the most important is the absence of suitable berths. Cal-tta jetties are now said to have become t of date and five out of nine of them have ne out of use. The government there-re seems to have decided not to spend oney on these jetties. But, as the Asso-tion of Shipping Interests has urged e union minister for Transport and ipping, it is necessary to have other berths in the dock area moder-sed quickly. It seems strange that oper attention is not being given to e efficient maintenance of the cargo ndling equipment in the Calcutta port. ne crane vessel was out of commission roughout April this year while other quipments like quay cranes, roof cranes, obile cranes, forklifts, locomotives and agons also could not be fully utilised ue to various reasons.

The problem of surplus labour and enforcing discipline among them has en persisting for the past many years ut no attempts have been made to ckle it effectively. The fall in the olume of cargo handled at the port has eated more surplus labour and has creased the cost of operation. It is ated that while in Bangladesh it costs bout Rs 10 for loading a ton of jute oods, in the Calcutta port it is nearly Rs 5. The Association of Shipping Interests as pointed out that owing to the fall in argo from 11 million tonnes in 1965-66 to bout seven million tonnes recently, labour s having only 7/10 days' work but the ipping lines have to pay wages for 30 ays. The association has suggested that committee be appointed to review the orking of the Dock Labour Board. But he problem is not so simple that it can e solved merely on the basis of a com-ittee's report. At the same time, the resent situation cannot be allowed to ontinue indefinitely without further decline in the port traffic and all that it mplies for the economy of the eastern re-ion.

The association has bluntly told Mr Kamlapati Tripathi that the inten-tion with which the Dock Labour Board was formed has not been fulfilled, that there is no discipline among labour and that there is no authority which can easily tackle this issue. It has also observed that "things appear to be beyond the control" of the Port Administration. These allegations, coming from the shipping interests, should be a matter of serious concern not merely to the ministry of Shipping and Transport but to the entire country. Unless the government of India tackles this problem with firmness and tact, it will be impossible for the Calcutta port to play its proper role in the country's export and import trade.

Two other problems on which New Delhi has to expedite action relate to the completion of the Haldia dock system and the supply of Farakka water. The Haldia dock envisages the construction of six berths for handling coal, oil, ore, fertiliser, salt and general cargo and it is estimated to cost over Rs 90 crores, including the cost of the estuarian dredger. The early commissioning of the Haldia dock project is essential to improve the financial position of the Calcutta port and provide more facilities for export and import trade. Similarly, regular and adequate flow of Farakka water is necessary to improve the navigability of the Hooghly.

The draft fifth five-year Plan does not indicate any awareness of the problem of the Calcutta port. It points out that the growth in the traffic of major ports has fallen far short of expectations during the fourth Plan. Compared to the target of 77 million tonnes, the growth in traffic by 1973-74 is expected only at about 65 million tonnes. It refers to the delays in implementing several major port projects which resulted in increases in costs. It is hoped that the Planning Commission and the government of India will learn the appropriate lessons from the fourth Plan and take timely measures to modernise the port facilities especially in Calcutta which till now has hardly received the attention it deserves.

The government of West Bengal has been trying to revive the state's importance in India's foreign trade. To what extent this has declined will be evident from the fact that the share of the eastern region in India's export of engineering goods has fallen from 66.20 per cent in 1965-66 to 22.09 per cent in 1972-73. As West Bengal accounts for about 90 per cent of the total export of the engineering goods from the eastern region, this means that the state's importance has received a severe set-back. West Bengal is now trying to reverse this trend by setting up an export processing zone near Dum Dum and another in Haldia and also by various other measures. But these can succeed only if the conditions of the Calcutta port are immediately improved and it is made economical for the trade to operate.

RECORDS AND STATISTICS

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FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

Steel Distribution • Lags in Oil Production • Supplementary Budget • Ship Prices

THE UNION ministry of Steel and Mines is understood to have drawn up, in consultation with the Steel Authority of India, a new distribution system for steel. This system is envisaged to be given effect to in the near future. It is aimed at not only eliminating a good deal of paper work and expediting the clearance of the indents of priority users but also to bring down the element of nepotism and corruption in the allotment of steel. Two more benefits are also expected to accrue from the new system. These are (i) expeditious movement of steel from the main producers, and (ii) reduction in the inflation of demand by consumers in their indents.

Under the revised system, of the nearly 2,100 priority users of steel whose indents are processed by the Steel Priority Committee, 800 bulk consumers, including the governmental agencies and the public sector units, who will account for approximately 80 per cent of the consumption of steel in the country at present, will be linked to specific steel works in respect of their requirements. They will be supplied through 60 base-destinations to which supplies will be made by the steelworks in rail rakes instead of wagons. The requirements of these bulk consumers will be cleared by the Steel Priority Committee on an annual basis around 120 per cent of their previous year's consumption.

other consumers

The remaining 1,300 priority consumers will have to seek allotments from the Steel Priority Committee which will do so for a six-monthly period, depending on the availability of steel. These consumers, however, will be asked to meet their requirements, after certification by the Steel Priority Committee, from the stockyards instead of securing them through wagon-loads from producers directly. The stockyards will also cater for the requirements of non-priority consumers.

The revised policy, indeed, can be expected to yield the above-mentioned benefits, but its success will depend to a great extent on how expeditiously and efficiently the stockyards are able to handle the new burden being cast on them. They may also have to have more storage space.

The geneses of the new policy are not far to seek. Even though the domestic production of steel continues to lag behind requirements and significant imports have to be effected, recently stocks have got accumulated at the steelworks due primarily to difficulties of movement by rail. Currently, the steelworks are reported to be burdened with nearly 400,000 tonnes of steel of all categories. Bulk movement by rakes is expected to reduce the pressures on railways and also result in a somewhat better availability of steel in the market.

exports envisaged

In view of the large accumulation of stocks at the steelworks, the union ministry of Steel and Mines is also understood to have decided to export some categories of steel the domestic demand for which has gone down in the recent past. It is expected that the exports under this decision would aggregate about Rs 100 crores.

The ministry, it is further learnt, has nearly finalised its consideration of the report of the committee on the economy in the use of steel. The decisions in this regard are expected to be announced shortly. It is indicated by knowledgeable circles that besides reducing the consumption of steel in construction of houses generally, some curbs would be placed on the building of sky-scrapers which consume large quantities of construction steel.

The expeditious movement of steel from production units and also exports of this commodity, it is felt, will reduce congestion at plants. This should lead to some improvement in production. The new distribution policy in regard to the imported steel has yet to be finalised.

* *

The union minister for Petroleum and Chemicals, Mr D.K. Borooah, confirmed in the Rajya Sabha this week that the country is not fully exploiting even the known resources of crude oil. He revealed that in the Assam fields of the Oil and Natural Gas Commission (ONGC), about 70 wells were lying idle. Seven of these, of course, were poor producers, but the remaining nearly 63 could yield sizeable quantities of crude. They, however, had not been commissioned despite the fact that they had been drilled between 1965 and 1973. The exploitation of the potential of these wells is still awaiting the installation of production facilities, workover operations, construction of flow lines, pipelines, etc. Nearly 23 wells, even though they had been drilled between 1960 and 1973, had also yet to be commissioned into production by Oil India.

Even though it might be argued that the crude oil from some of these wells has to cater for the requirements of the Bongaigaon petrochemicals complex, which is still under construction, yet considering the fact that the Barauni refinery is not being worked to its optimum capacity, due, among other reasons, to non-availability of adequate quantities of crude, it indeed is a matter of regret that as many as 86 wells should be lying idle in Assam and the country should be obliged to spend Rs 1,150/1,200 crores worth precious foreign exchange on arranging imports from west Asian countries at steadily rising prices.

The ONGC plans to put the idle wells into production by April 1975. Oil India would be setting up production facilities in the near future, but is expected to take up workover operations only in 1977.

On a recent assessment by the ONGC, the Bombay High area may yield only about a million tonnes of crude oil under

the most favourable circumstances in the course of the next two years. Earlier, it was felt that production from this area might be of the order of 1.5/2 million tonnes. A clear indication of the likely yield from Bombay High in the next two years, of course, will be available on the drilling of a couple of more wells in the vicinity of the first discovery well in which oil has been found at four horizons, the most prolific horizon being at the depth of about 1,000 metres. The ONGC is according high priority to achieving early production from the first discovery well in the Bombay High structure rather than waiting for the exploration and assessment of the entire area. The next few wells are now expected to be drilled in the vicinity of the discovery well. The drilling work, however, has been held up in the recent past due to adverse weather conditions. It is likely to be resumed in September.

levy on crude

Meanwhile, with a view to providing larger funds for the development of oil industry, Mr Borooah has introduced in the Lok Sabha a bill seeking to levy, with immediate effect, a cess (in the form of excise duty) of Rs 60 per tonne on indigenous crude. The yield from the cess is expected to be Rs 29.40 crores in the remaining eight months of the current financial year and Rs 52.92 crores next year. During the current Plan period as a whole Rs 247.50 crores are anticipated to be realised through this measure on an estimated production of 45.75 million tonnes of crude.

The price payable to the ONGC and Oil India for their crudes, which at present is $ 3.88 a barrel, is likely to be raised at least by the amount of the cess. The two undertakings, however, have been pressing for a higher price in view of the fact that the imported crude costs between $10 and 11 a barrel. The government is not in favour of raising the price of indigenous crude to the extent desired by the ONGC and Oil India. Instead, it would make available some funds out of the receipts from the above cess for their development programmes.

It is difficult to say at present how far the increase in the price of indigenous crude, following the imposition of the cess, would be reflected in the prices of petroleum products. For the time being no change in the product prices for the consumer has been made.

* *

Following up the three anti-inflationary ordinances promulgated by President Giri in the last few days and the stepping up of Bank rate to 9 per cent, the union government will be presenting a supplementary budget on July 31. An announcement to this effect was made in the Lok Sabha this week by the minister of Parliamentary Affairs, Mr K. Raghuramaiah. Additional revenue to the extent of about Rs 200 crores is expected to be raised through this budget in the interest of containing the current year's deficit within Rs 125 crores as envisaged by the Finance minister, Mr Y.B. Chavan, while presenting the regular budget on February 28. If the recent utterences of the prime minister and her colleagues are any indication the commodities which are primarily consumed by the more affluent sections of the society can be expected to attract additional imposts. The states, it is understood, have also been asked to mobilise another Rs 100/150 crores through additional taxation measures. The incidence of the state measures is likely to be primarily on the affluent agriculturists.

* *

Details are now available of the settlement reached recently by the Shipping Corporation of India (SCI) with Split Shipyard of Yugoslavia over the issue of increase in the prices of the four ships ordered by the former with the latter. Notwithstanding the fact that the contracts concerning these ships did not contain any escalation clause, the SCI has agreed to pay about 10 per cent more for these ships in view of the sharp rise in the global steel prices in the recent past. The Yugoslav shipyard had sought compensation for this. Two of the ships are ore bulk oil carriers of 113,730 DWT each and tw tankers of 115,000 DWT each.

The ore bulk oil carriers were originall to cost $18.80 million each. One o them was to be delivered by April 15, 197 and the other by October 15, 1973. Th originally contracted price for one tanke was $16.35 million plus $1.635 million an for the other $16.5 million plus $1.6 million. One of the tankers was to be de livered by August 31 this year and th other by December 31. The price increase that have been agreed to by the SCI ar $1.325 million for one ore bulk oil carrie and $1.810 million for the other. In th case of tankers, the increases are $1.99 million and $1.875 million.

The increases in the prices agreed to are payable in five equal annual instalments after the delivery of ships; the first instalment being payable one year after delivery along with interest at the rate of 7.5 per cent per annum from the date of delivery.

The two ore bulk oil carriers have already been received by the SCI. One tanker will be delivered, according to the revised schedule negotiated now, by November 15 this year and the other by March 31 next year. Along with the increases in the prices of the tankers, the penalty for late delivery by the Yugoslav shipyard has been doubled.

The SCI, of course, has the option to pay in a lumpsum the outstanding amounts in respect of any or all the four vessels and secure a discount of two per cent per annum in respect of the outstanding amounts.

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BHEL: Radical changes in two years

R. C. Ummat

BHARAT HEAVY Electricals Limited (BHEL) has not only improved its performance considerably during the last two years but is also gearing itself to the challenging tasks of the future. This is the impression I gathered during my visit a few days ago, as a member of a press party, to the various units of this public sector undertaking located at Tiruchirapalli and Hyderabad in the south and Bhopal and Hardwar in the north.

The turnover of BHEL, which in 1969-70 aggregated to a bare Rs 70 crores, had gone up to Rs 103 crores by 1971-72. Since then it has registered a very impressive increase—to Rs 141 crores in 1972-73 and as much as Rs 228 crores last year.

significant improvement

More significant, however, has been the improvement in the quantum of equipment turned out by the undertaking. In 1969-70, BHEL produced equipment for 496 MW capacity. In the next two years, despite an increase in the value of the turnover, the physical performance deteriorated and production totalled to only 375 MW and 285 MW capacity. The year 1972-73 witnessed a sharp upswing in output to 1,050 MW capacity. Last year production spurted further to touch the 2,200 MW mark.

Thus, whereas in terms of value, the turnover of BHEL has approximately trebled in the last five years, in terms of equipment it has nearly quadrupled. This year, it is planned to produce equipment for 2,950 MW capacity, valued at Rs 281.5 crores. The aggregate income of the undertaking, however, is expected to go up to about 290 crores, as nearly Rs 9.4 crores are expected to accrue on account of works-in-progress, repair jobs and contracting of power plants' erection work. Erection work is a new line of activity into which BHEL has ventured.

The larger increase in physical turnover, compared to the growth in output in value terms in the last two years, is a clear enough indication of the significant improvement in the productivity of the undertaking. The value of turnover per employee went up between 1971-72 and 1973-74 from Rs 29,000 to Rs 53,300 per month. Production per rupee of total wage during this period increased from Rs 6 to Rs 9. The improved productivity enabled the undertaking, till lately, to absorb a sizeable proportion of the escalation in costs.

increased profitabilty

Consequent upon the impressive increase in production—both in terms of equipment and value—the profitabilty of BHEL has registered a marked improvement even though the full incidence of rise in costs has not been passed on to customers. In 1969-70 and 1970-71, the undertaking incurred losses to the tune of Rs 9.26 crores and Rs 5.13 crores. In 1971-72,it threw up a modest profit, before tax, of Rs 2 crores. In the subsequent two years, this profit has been Rs 13 crores and Rs 27.2 crores.

The above radical change in the operations of BHEL, indeed, has worked as a tonic for the employees. They are no more despondent about their future. In fact, despondency has yielded place to optimism, This has encouraged the management to set its sights high this year. With turnover expected to go up to 2,950 MW capacity equipment, worth over Rs 280 crores, the profit, before tax, anticipated for this year is approximately Rs 41.4 crores.

As a result of the last year's good profit, the cumulative loss of the undertaking has been reduced to Rs 31.8 crores. The uncleared loss is wholly accounted for by the Bhopal unit, which, before its merger with BHEL last year, had accumulated a deficit of as much as Rs 55 crores. This. of course, was not unexpected as the detailed project report (DPR) of this unit had itself indicated that it would be incurring losses during the first 12 years of its operations. The break-even point at Bhopal was reached in 1972, a year ahead of the schedule. The total loss, no doubt, exceeded the estimate in the DPR, but if note is taken of the fact that the product pattern of the unit underwent considerable changes after the DPR had been draw up and also the assumptions regarding prices and customs duties went awry, the picture does not emerge out as that poor. Further, the unit had to incur sizeable expenditure on the building up of the township which was not envisaged in the DPR. The other three manufacturing units at Tiruchirapalli, Hyderabad and Hardwar, which formed the pre-merger BHEL, wiped out their cumulative losses even with their last year's profits. The current year's overall profit of BHEL (Rs 41.4 crores), if it accrues as anticipated, will not only wipe out the cumulative loss of the Bhopal unit as well but will also leave a surplus of about Rs 10 crores with the undertaking.

operational ratios

The improved working of BHEL during the recent past is also reflected in its various operational ratios. The return on capital employed has gone up from 5.9 per cent in 1971-72 to 10.5 per cent in 1973-74. For 1972-73, it worked out to 9.7 per cent. It was just 2.6 per cent in 1970-71. The ratio of profit to turnover worked out in 1973-74 to 12 per cent, as against nine per cent in 1972-73 and a bare two per cent in 1971-72, and of profit to capital employed to eight per cent, as against five per cent in 1972-73 and a bare one per cent in 1971-72. Earlier the undertaking was making losses. The ratio of turnover to capital employed, similarly, has gone up from 38 per cent in 1970-71 to 42 per cent in 1971-72, 57 per cent in 1972-73 and 69 per cent in 1973-74. If the targets of production set for the current year are attained, the above ratios should improve further. But it will obviously take some more time for

them to reach the optimum levels. Perhaps that will happen in 1976-77 or 1977-78 by which time production is anticipated to be pushed up to 3,500/4,000 MW capacity equipment. Much will, however, depend on the product-mix as well as the pricing of equipment, which apparently will have to undergo a change due to the sharp increase in the costs, particularly on account of materials, since about the middle of last year.

working results

All the four manufacturing units of BHEL have shown considerable improvement in their working last year. The output of the Bhopal unit rose last year to Rs 76.96 crores from Rs 56.76 crores in the previous year, of the Hardwar unit to Rs 44.14 crores from Rs 23.1 crores, of the Hyderabad unit to Rs 45.1 crores from Rs 21.5 crores and of the Tiruchirapalli plant to Rs 67.31 crores from Rs 43.09 crores. Further sizeable increases are anticipated this year in the outputs as well as the profits of the Bhopal, Hardwar and the Tiruchirapalli units. The Hardwar unit is anticipated to produce this year equipment worth Rs 70.12 crores, the Tiruchirapalli project Rs 83.75 crores and the Bhopal plant Rs 87 crores. Production at Hyderabad may not go up significantly as it is already operating to near-optimum level. All the four units are expected to yield profit this year. Last year's profit accrued primarily from the Bhopal unit (Rs 11.5 crores), the Tiruchirapalli plant (Rs 10.58 crores) and the Hyderabad project (Rs 4.6 crores). The Hardwar unit just broke even last year; its profit for the year was Rs 0.52 crores.

The increase in the physical output of BHEL to 2,100 MW capacity last year, which is expected to be raised to 2,950 MW this year and 3,500/4,000 MW in 1976-77 or 1977-78, should evoke optimism about it being able to meet the heavy electrical equipment requirements of the current Plan. The gross addition to generation capacity envisaged during the five years to 1978-79 is 16,500 MW. About 2,500 MW capacity will be on account of replacement. The net addition to the existing capacity, therefore, has to be 14,000 MW. About 15 per cent of the new capacity is to accrue from imported equipment for which firm contracts have already been made.

With a view to playing its role more effectively in the future development programmes on the power front, BHEL has taken three important decisions in the recent past. The first is to undertake, along with production of equipment, the job of erecting power stations on turn-key basis. A new division, namely, power projects division, has been recently set up at Madras to do this job. The Indian Consortium of Power Projects at Delhi is also envisaged to be merged with BHEL. It will provide the nucleus for a second construction division. Construction activity has been undertaken by BHEL in the interest of expediting installation of new power generation capacity in the country. The two divisions will also undertake turn-key projects abroad as BHEL has a programme to export 20 to 25 per cent of its output in the next few years. The undertaking has been encouraged to set this ambitious target for itself by the success achieved by it in Malaysia. It is executing a third turn-key job for the National Electricity Board of the States of Malaya.

research and development

The second decision taken is to strengthen the research and development effort. Already the four production units of BHEL have facilities for this purpose where quite wholesome work is being done. But with a view to accelerating the pace of this essential activity, a centralised R & D division has been set up at Hyderabad. The aim is to develop all future designs of equipment indigenously based primarily on domestic raw materials.

The R & D effort is not being confined to the designing of equipment for the hydel and thermal plants using conventional fuels; it has also been extended to nuclear power.

In the case of thermal plants based on conventional fuels, designs have already been developed with a limited assistance from the Soviet Union for the manufacture of 200 MW steam turbines and turbo-generators. This line of production has been taken up at the Hardwar unit. Technical studies have been initiated for making 500 MW sets. The first unit in this series is expected to be produced around 1980.

The Tiruchirapalli plant is looking after the designing of 500 MW boilers which will have to be very sophisticated. Preliminary design studies have already been made. The procurement of materials is being examined. It is hoped to satisfactorily perform the job of designing these boilers in about eight mont Improvements are also being effected the smaller boilers currently und production so as to improve heat flow.

In the field of hydel power, an imp tant innovation that has been made is produce at Hardwar reversible turbin for pump storage schemes. In the init stages, collaboration for this purpose h been arranged from Czechoslovakia. Bu as in the case of high capacity therm sets, the R & D effort has also be undertaken in regard to reversib turbines. The major advantage of the turbines is that they can be used f pumping water back to the stora reservoirs by using electricity produce by them in excess of the requirements the off-peak periods. The Gujarat Sta Electricity Board has placed firm orde for producing four such units for it.

In the nuclear field, BHEL has bee selected by the Department of Atom Energy as the major potential producer all types of electrical equipment for th future nuclear power stations. The unde taking is already supplying a good de of equipment for the second 235 M unit of the Kalpakkam project. Th equipment is being produced by all th four units of BHEL—the steam generatin equipment at Tiruchirapalli, the turbin at Bhopal, the turbo-generators at Ha dwar and the auxiliary equipment Hyderabad. Letters of intent have als been received by BHEL for the supply equipment for the Narora project in Utt Pradesh. The Bhopal unit has also manu factured á giant 250 KV transforme for the Rajasthan atomic power statio It has developed technology for produc ing even 400 KV transformers an curcuit-breakers which will have speci application for nuclear power projects.

reactor header

The most important development i the field of nuclear power equipment i the recent past, however, has been th successful manufacture of the reacto header assemblies which were hithert being imported from Canada. Followin the Pokhran range underground explosio of a nuclear devise by our scientists i May, the Canadian firm from which th supplies of these assemblies for the secon unit of the Kalpakkam project had bee arranged, has expressed its unwillingnes to supply them as restrictions have bee placed on it by the Canadian government The Tiruchirapalli unit has now starte manufacturing these assemblies.

With a view to meeting the futur

requirements of the atomic power programme of the country, BHEL has also taken a decision to develop its own designs and engineering. It even proposes to procure itself the necessary raw materials which at present are being arranged by the Department of Atomic Energy.

Bharat Heavy Electricals is also closely associated with the Department of Atomic Energy in the setting up of the fast breeder reactor at Kalpakkam based on sodium technology. This reactor is expected to be put into commercial operation in the early eighties. The Tiruchirapalli unit would be manufacturing and supplying IHX heat-exchangers and steam-generators for this fast breeder. The centralised research and development division of BHEL at Hyderabad has put forth specifications for the designing of 15-18 MW rating turbine and its feed cycle which have been approved by the Kalpakkam research centre. The steam parameters of this turbine are rather high compared to those of a conventional set of this size, but the problems involved have been successfully tackled.

development of designs

For the equipment needed for fast breeder reactors, BHEL ultimately intends to develop its own designs. For the time being, technical know-how for them has been arranged by the Department of Atomic Energy from France. The efforts of BHEL would be for developing designs for the equipment needed for the future commerciat reactors of 500 MW and above.

The R & D efforts of BHEL should receive great impetus with the setting up of a new division for this purpose at Delhi in September under the stewardship of Dr. H. N. Sharan. This eminent Indian designer of boilers, who at present works for an internationally known Swiss power projects consultancy firm, will on taking up his assignment with BHEL, not only engage himself in designing of boilers for using high ash content coal but also in designing equipment for harnessing other sources of energy, especially wind and farm wastes. He is as well expected to assist in developing and designing nuclear power generation equipment. No firm decision, however, has been taken for R & D effort for commercial exploitation of solar, tidal and geophysical energy.

The third decision that has been taken to enable BHEL to play a more effective role in the future power development programmes of the country is that the undertaking should concentrate more and more on the manufacture of sophisticated electrical equipment. A good deal of work in this regard has already been done, particularly at the Tiruchirapalli and Hardwar units. The latter is now concentrating on the production of 200 MW steam turbine and turbo-generator sets and has abandoned the production of 110 MW sets which are being made at Bhopal.

sub-contracting manufacture

The Tiruchirapalli unit started off-loading the manufacture of various components and foundry equipment to ancillary units in 1968-69. Currently 25 to 30 per cent of a boiler cost is being sub contracted by it to these ancillaries. More items are being identified with a view to sub-contracting them with the other engineering firms at Bombay, Poona and Calcutta. It is proposed to spread this sub-contracting work to all parts of the country to the extent possible. The sub-contracting of components and sub-assemblies has enabled the Tiruchirapalli plant to raise its value-wise turnover last year at a much faster rate than the growth in physical output. The latter went up by only 36 per cent, whereas the former rose by as much as 56 per cent. The Bhopal, Hardwar and Hyderabad units too are following a similar policy though not as spectacularly as the Tiruchirapalli project.

The trend towards greater concentration on the manufacture of sophisticated equipment at particular plants of BHEL should get further fillip in the near future as a result of the rationalisation programme which is being considered to make the different units of BHEL specialise in the manufacture of particular products. As already mentioned above, the Hardwar unit has stopped manufacturing 110 MW steam turbines and turbo-generators; it is now concentrating on the production of 200 MW sets. The Bhopal unit is expected to concentrate on the manufacture of 110/120 MW sets. The manufacture of sets up to 110 MW would be confined to the Hyderabad unit. The Tiruchirapalli unit may off-load nearly 40 per cent of its production.

This rationalisation has been proposed to derive the maximum benefit out of the present as well as the likely future investments of BHEL through increasing the scale of production. It is likely to be according to products as well as the sizes of equipment. The shifting of work may be done not only among the existing as well as the new units being set up by BHEL but also to ancillary units. It is, however, encouraging to note that the management does not intend to retrench any employee or to shift any person against his will from one place to another following the transfer of work intra-BHEL constituents. It is thinking of re-training workers, if necessary. It is, however, felt that since most of the workmen of BHEL are trained trade-wise, the transfer of some manufacturing activity from one unit to another or even off-loading of some production to ancillary units would not affect workmen to any great extent, as simultaneously with the off-loading of work from a unit, some expansion will have to take place in the lines of activity specialised by that unit in view of the growing requirements of power equipment in the country.

adverse comments

The rationalisation programme of BHEL, however, has evoked very adverse comments from Madhya Pradesh politicians, including the Congress President, Dr S. D. Sharma. They fear that the employment potential of the Bhopal unit will be very adversely affected if some lines of production are shifted from here or off-loaded to ancillaries. They have alleged that the management wants to bring down through rationalisation the staff strength at Bhopal from over 20,000 persons to about 15,000 persons. No firm decision in this regard, however, has yet been taken by BHEL.

According to the MP Sanskritik Sangh, which is carrying on anti-rationalisation campaign, the lines of manufacture which might be shifted from Bhopal include transformers, foundry equipment, rectifiers, capacitors and electronics. My talks with the management revealed that the fears of the MP Sanskritik Sangh are ill-founded. No decision has been taken as yet on the lines of production to be shifted from or shed by the Bhopal unit. The management will also see that no employee loses his job. The rationalisation programme will only entail voluntarily sought transfers. The production of transformers at Bhopal, at least, it was stressed, was not being stopped as the new Jhansi unit is envisaged to take up the manufacture of transformers of other sizes.

Along with the above three decisions,

another important step that has been taken by BHEL, in consultation with the union ministry of Irrigation and Power, is the setting up of a spare parts and services division at Delhi. This division will assist in improving the utilisation of the present installed power generation capacity throughout the country. The services of the personnel of this division are made available to power projects for suggesting ways and means of improving their operations, particularly through preventive maintenance. The division will also stock slow-moving inventories so that the burden on state electricity boards on this score can be reduced.

assessment of gaps

Bharat Heavy Electricals has as well initiated studies to assess the gaps in the future requirements of power equipment. It has planned to expand its activities with a view to bridging these gaps. The rationalisation programme, apart from the considerations listed above, is partly the outcome of this thinking. So also the decisions to set up a new transformers making plant at Jhansi and a foundry forge project at Hardwar. Recently an electronics division has been set up in the Bhopal unit with the above end in view. This division caters for the requirements of the electrical control systems of power stations.

As mentioned earlier in this piece, the Jhansi unit will manufacture transformers of the sizes which are not produced at Bhopal. The foundry/forge plant at Hardwar, to be set up with French collaboration, will meet the requirements of castings and forgings upto the medium size of 20 tonnes weight, for all the production units of BHEL. These requirements at present are being met largely through imports as indigenous production at the Ranchi heavy engineering complex and elsewhere in the country has not come up to expectations. For the bigger castings and forgings, BHEL, however, intends to continue for the time being to depend on the Ranchi complex. The installation of the heavy press at the Hardwar foundry/forge plant has been deferred to its second stage on this consideration. The second stage is proposed to be implemented only if the supplies from Ranchi prove inadequate.

The large dependence of BHEL on imported castings and forgings, for which not only the delivery schedules quoted by the foreign suppliers are long but also the prices are going up sharply, has had an adverse effect on its inventory position. the fast-moving inventories are being stocked at present up to about eight mouths' requirements and the slow-moving ones up to 13/14 months' needs. The difficult supply position of the indigenously produced steel is another reason for BHEL keeping high inventories.

Expansion of manufacturing activities at Hyderabad to include small turbo-sets for paper, sugar, chemical and steel plants and other industrial applications is also being done with the purpose of bridging the gaps in the manufacture of electrical epuipment in the country. The production of centrifugal compressors for the fertilizers, petrochemicals, refrigeration and other industries has already been started at this unit with collaboration from an Italian firm. High-speed turbines for industrial applications are proposed to be produced with collaboration from Siemens.

The Hyderabad unit has also planned the power development of a central blading shop which will meet the requirements of the other BHEL units also. It also intends to expand the pump manufacturing capacity. The manufacture of 400 KV circuit-breakers is envisaged to be taken up on a significant scale in the near future and, while having succeeded in the last two years in making BHEL a profit-yielding undertaking, the management, however, cannot rest on its oars. The sharp rise in material costs in the recent past and the large arrears due to it from the state electricity boards (nearly Rs 80 crores) are causing serious concern to it. Although with the expansion of production, the mounting material costs would be absorbed by BHEL to some extent, some increase in the prices of its products cannot be ruled out. It is, however, hoped that the prices of BHEL products would be kept within the landed costs of comparable imported equipment.

The inadequacy of resources allocated for the development programme of the fifth Plan also is a source of anxiety for some units of BHEL. The Bhopal unit, for instance, has been asked by the Tamilnadu State Electricity Board to go slow with one of its orders. The position of the order book of BHEL at present, however, is said to be satisfactory. At the end of March last, it had orders for equipment worth Rs 860 crores. The Bhopal unit, of course, will need some more orders in the near future as it hopes to execute the present ones by the middle of 1977.

To sum up, BHEL, indeed, has done well during the last two years. Its deliveries of equipment as well as the cycle of production have shown marked improvement in these years with the result that they now compare well with the foreign manufacturers. It has also stepped up the R & D effort with the laudable objective of making the country self-sufficient in the technology to manufacture heavy electrical equipment. In view of the mounting material costs, however, it remains to be seen how far it will be able to improve, or at least maintain, its profitability without unduly pushing up product prices. A major constraint in this regard is the stringency of resources for power development programme on the size of which depend the orders for the undertaking. Export business also can help in fuller utilisation of its capacity, but it can be built up only slowly. As a long-term objective, BHEL, of course, has done well in setting for itself a target of exporting 20 to 25 per cent of its output,

Eastern Economist 30 Years Ago

JULY 28, 1944

Hapur wheat and other grain markets showed only small changes during the week under review. The local stocks of wheat, gram and barley remained unchanged at 34, 16 and 25 KHATTIS respectively. The arrivals of wheat were poor and the growers are unwilling to market their produce. The similar conditions prevail in other markets of the Western U.P, while in the Eastern UP the problem of non-availability of wheat is gradually becoming serious and consumers have been experiencing hardships. The chief factors for the small arrivals of wheat are firstly, the heavy rains and active KHARIF crops operations, and, secondly, the fact that according to the quality and nutritive value and price parity, the control rates of wheat are considered to be lower than those of gram and barley. To divert the attention of the farmers from withholding wheat, it is suggested that the control rates of wheat should be increased, and of coarse grains decreased. The following are the latest quotations of wheat and gram in various mandis of the UP and the Punjab: Layallpur: Wheat Rs 9 to R 9—4, Gram Rs 6—13, Okara: Wheat Rs 9—1 to Rs 9—5, Gram Rs 6—6. Narnaul: Wheat Rs 8—8 to Rs 9—2. Lahore: Wheat Rs 8—14 to Rs 9—2, Gram Rs 7—1. Kasur: Wheat Rs 9—3, Hapur: Wheat Rs 9—9. Gram Rs 8—3—3. Aligarh: Gram Rs 7—9—9. Kosi: Gram 7—4.

Steady progress in Atlantic relations

Jossleyn Hennessy

London

I
Improved Consultation Procedure

SOME HEARTENING progress in Atlantic relations has been made in recent months. An improved consultation procedure has now been agreed between the two sides of the Atlantic and significant progress achieved on several major matters of common concern to the Atlantic nations.

The minority Labour government in the shape of Mr James Callaghan, the Foreign secretary, has made a useful and positive contribution to the development of Atlantic relations. In a speech at the National Press Club in Washington on May 21, Mr Callaghan stressed the importance of three "C's"—consultation, coordination, and cooperation—in the evolving relationship between Europe and the United States. He also recognised that it is not sensible to try to set down the mode of consultation in written formulae, but rather that the process of consultation should be fully reciprocal and based on a positive and open attitude.

These themes were taken up and developed by Sir Alec Douglas-Home in a keynote speech to the Royal Institute of International Affairs on June 11. Sir Alec based his talk on the explicit premise that Europe and the United States cannot be antagonistic and must be complementary to each other. He went on to develop certain guidelines which he believed flowed naturally from his basic premiss and which would be helpful in assisting each side to remain true to its good intentions. He suggested that all Europeans would do well to remember that the backing of American conventional and nuclear arms was literally vital to western European survival; that the health of the American economy and the liberalisation of American trade policy was necesssary for the prosperity of western Europe; that American co-operation is the *sine qua non* of effective international monetary reform and effective international action to secure the western world's oil supplies; and that consultation with the United States should be continuing and close.

In short, Europeans should recognise that for the foreseeable future the United States will continue to be in a league of their own and the nations of Europe have no alternative but to find the best possible ways of working with them. On the other hand, Sir Alec suggested that the Americans would, for their part, do well to remember that the security of western Europe is vital to the global security of the United States; that the American trade and payments situation is now so much better that the United States should be able to afford a more liberal and enlightening approach to trade and monetary problems; that the European members of NATO already bear a fair share of the common defence burden (providing 90 per cent of the land forces, 80 per cent of the naval forces and 75 per cent of the air forces in western Europe); and that in the early stages of political cooperation among the Nine, the United States should not expect anything too ambitious in the way of Atlantic consultation procedures. As Sir Alec put it: "If Europe is to have an identity of its own it must be allowed a point of view of its own without an automatic obligation to consult, although in the ordinary run that should be the practice."

separate problems

In the context of Atlantic consultations, Sir Alec argued that there were two separate problems: one of political will and one of machinery. He considered that there had been faults of communication in both directions over the past few years, but he believed that the omens were now more propitious than they had been. With new leaders in France and West Germany, each of whom fully appreciated the importance of the American connexion, he felt that "temperament will be less in evidence and diplomacy will resume its proper role". As regards the machinery of consultation, Sir Alec considered that there was at least a partial answer to hand in fuller use of the so-called Political Directors of the Community member states. He hoped that arrangements could be made so that on appropriate occasions an American observer could be present to hear the trend of discussion on matters of high mutual importance. As he put it: "A real effort needs to be made to identify, analyse and anticipate likely areas of difference between the United States and Europe, so that in that way and without publicity they can be minimised and removed"

Shortly after Sir Alec made his speech at Chatham House, the nine Foreign ministers of the enlarged Community met in Bonn and agreed to an improved formula for United States-European consultations. Under the agreed formula the Nine offered a pragmatic case-by-case approach whereby each issue will be considered on its merits. If they can agree that they should consult with the Americans as a bloc, then they will do so through the auspices of the country currently in the chair in their political consultations. If they cannot agree to consult as a bloc, then each of the Nine can consult the Americans bilaterally and, if necessary, hold up any joint decision until American concerns are met. The formula could obviously

WINDOW ON THE WORLD

ead to further conflict both among the Nine themselves and between the Nine and the United States if the recently improved Atlantic climate should turn stormy again. However, it seems clear that both sides now want to exploit the recently improved atmosphere, as was illustrated by the fact (a) that none of the Nine criticised the United States for concluding a bilateral deal with Saudi Arabia without consulting the Europeans and (b) that the American administration accepted that the Europeans should go ahead with their long delayed dialogue with the Arab states.

II

Gatt 24(6) Negotiations

Only a few days before the two sides of the Atlantic were able to take these significant steps to improve their consultative procedures, the United States and the European Community managed to avert the danger of a serious Atlantic trade dispute by reaching a satisfactory settlement to the long drawn-out GATT negotiations stemming from ths enlargement of the Community. The conclusion of these negotiations, designed to compensate third countries for damage to their exports caused by EEC enlargement, should help to clear the way for the major new round of world trade negotiations in GATT, which have been hanging fire since their official opening in Tokyo last September.

The economic consequences of what was largely a technical agreement with the United States will not be great, but the political significance of the satisfactory outcome is considerable, since the consequences of failure would have been serious. A breakdown in the negotiations under Article 24 (6) of GATT would almost certainly have led to American retaliation against the Community, counter retaliation by the EEC and the beginning of an Atlantic trade war. Under GATT rules, the United States would have been entitled to withdraw trade concessions from the Community if the Americans felt that they had not been adequately compensated for the tariff changes resulting from British, Irish and Danish membership of the EEC.

The Community's "final offer", which was approved by Washington, will involve trade concessions for all GATT members, even though in practice the main beneficiaries will be countries with a claim for compensation from the Community. Now that the United States is satisfied, it is hoped that a separate settlement can be reached in Geneva with all the twenty or so other countries which have claimed compensation. There are still outstanding issues to be settled, for example with Canada on cereals and with Poland on bacon, but most of the other countries involved are now expected to accept the Community's offer. The Community's concessions will involve tariff reduction on about thirty products, in most cases beginning from January, 1975. The full list will not be published until the Community has consulted its Mediterranean and North African trade partners whose interests are also involved, but the main items include tobacco, oranges, paper, unexposed film, offal, disposable nappies, earth-moving equipment, diesel engines, and outboard motors. On most of these products the Community's tariff will be reduced by between two and three percentage points, although in some cases, such as oranges, the reduction will be slightly greater. On cereals, one of the most contentious issues in American eyes, there has been agreement to disagree and negotiations will not continue in the framework of the GATT multilaterals.

The satisfactory conclusion of these long-outstanding negotiations was hailed by President Nixon as "a major step towards improved Atlantic relations", and the United States' administration was obviously keen to present the agreement with the Community as a strong argument for Congressional support of the President's Trade Bill, which is still under consideration in the Senate. It is now to be hoped that the United States' administration will get its Trade Bill through Congress without much further delay, so as to allow adequate time for the detailed negotiations in the next round of GATT multilaterals, which the European Community, at any rate, hopes to see completed by the end of 1975.

III

International Monetary Cooperation

In the equally important sphere of international monetary cooperation. significant progress has also been made. The modest monetary reform proposals adopted by the Finance ministers of the Committee of Twenty in Washington in early June must be welcomed as a further sign that the world's major developed countries are still determined to seek cooperative solutions to the economic problems that confront them. Although the decisions taken by the Committee of Twenty were largely an endorsement of recent practice, they did underline a joint determination to persevere with policies that have kept trade and output high and curtailed the tendency to nationalist protection in the face of rampant inflation and shortages of raw materials.

Although the commitments undertaken were voluntary, the Finance ministers declared their intention to reinforce their economic cooperation in four main areas.

First, they agreed to establish a committee at ministerial level to continue the supervision of the international monetary system and to begin the necessary process of amending the IMF articles to restore their effectiveness.

"beggar my neighbour"

Secondly, they agreed to discourage "beggar-my-neighbour" policies by countries facing unusual balance of payments deficits, stemming from the rapid rise in the price of oil and other commodities, and to this end they agreed on tentative guidelines for the management of floating rates and on a voluntary pledge against trade and other current account restrictions. The pledge to avoid restrictive trade measures reinforced and widened the promise already made by the industrial countries at the OECD meeting in Paris on May 29, 1974.

Thirdly, they agreed to set up the new so-called "Witteveen oil facility", offered by the oil producing countries to help meet the special and immediate financial needs of the poorest developing countries. They also agreed to extend existing IMF financing facilities in favour of developing countries, to establish a development council to study the broad question of the transfer of real resources to developing countries, and to reconsider the idea of linking the creation of new SDRs with development assistance.

Fourthly, they agreed on a new definition of the SDR in terms of a basket of specified amounts of sixteen major world cureencies. This means that the SDR will reflect the average movement of all currencies, instead of being related to an artificial price of gold or to any one particular currency.

On the important and specified subject of gold, which was considered by the Group of Ten outside the Committee of Twenty, the ministers agreed to remove any formal obstacle to the pledging of gold borrowing transactions between monetary authoritics. The monetary authorities were already free to sell gold on the market and hence to pledge gold in borrowing from the market if they wished to do so. It was hoped that this development would be particularly helpful to Italy which, with its substandard gold reserves might now be able to make use

of this collateral as a means of securing international loans which could not have been secured in other ways. The IMF is to give further study to future arrangements, including the possibilities of releasing a part of its own large gold holdings. The members of the Committee of Twenty were unanimous in wishing to phase gold out of any central role in the international monetary system and to replace it with SDRs.

When the British Chancellor of the Exchequer, Denis Healey, returned to London to inform the House of Commons of the outcome of the Washington meeting, Mr Carr, the Shadow Chancellor, welcomed the progress made, in particular the renewed determination expressed by the Group of Twenty to discourage "beggar-my-neighbour" policies by individual countries in their efforts to deal with their balance of payments deficits. In general, it now seems widely recognised throughout the free world that the dangers of global recession are at least as great as the reality of global inflation. It must therefore be hoped that the economic objectives and realities spelled out in Washington will be taken fully on board by the governments of all the countries concerned.

IV

NATO Declaration in Ottawa

The progress in the trade and monetary spheres has now happily been paralleled in the defence sphere. The Foreign ministers of all the NATO allies met in Ottawa where they celebrated twenty five years of the NATO Alliance by signing a Declaration of Atlantic Principles on June 19, 1974. The so-called Ottawa Declaration agreed on the need for "frank and timely consultations" between the members of the Alliance, emphasised continued American backing for NATO and provided President Nixon with a stronger hand for the meeting that he subsequently had with the Soviet leaders in Moscow. In effect, it constituted Europe's response to Dr Kissinger's call in April, 1973, for a new Atlantic Charter. It was the fruit of a laboriously worked-out compromise and it ends a trans-Atlantic dispute, which the French Foreign minister, M. Jean Sauvagnargues called "the most unnecessary fight in the world". The Declaration became effective as from its adoption on June 19, but President Nixon had the satisfaction of attending a formal signature ceremony for all NATO heads of state of government in Brussels on June 26.

The 1,400-word Declaration reaffirms the American determination "not to accept any situation which could expose its allies to external political or military pressures likely to deprive them of their freedom". It also expressed American and allied resolve "to maintain forces in Europe at the level required to sustain the credibility of the strategy of deterrence and to maintain the capacity to defend the North Atlantic area should deterrance fail". The Declaration referred to the "irreplaceable" role of American forces in Europe and recognised that further progress towards European unity would have a "beneficial effect" on efforts for the common defence. On the issue of closer cooperation and consultation between the two sides of the Atlantic (that I have dealt with in Section I above) the Declaration resolved "to keep each other fully informed and to strengthen the practice of frank and timely consultations by all means which may be appropriate on matters relating to their common interests". It added that the Allies would "work to remove sources of conflict between their economic policies and to encourage economic cooperation with one another.

All in all it seems that the Declaration has given a new lease of life to NATO after twenty-five years of successful and largely unsung achievement. However, it is obvious that the new-found confidence inspired by it will not be reinforced if the member nations, led by the British Labour government, persist in setting each other a bad example by preaching Atlantic defence solidarity but practising deliberate expenditure cuts in their already precarious defence budgets. The peoples of the western democracies must be reminded that their long-term security depends on their willingness to pay for and sustain a credible defence effort.

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Rapid growth of Euro-currency market

THE EXPANSION of the Euro-currency market was once again very rapid in 1973, and continued vigorously in the first quarter of 1974. Last year's percentage gain over 1972 was the largest since 1969, and the absolute increase was by far the greatest yet recorded. By the end of March 1974, the volume of Euro-currency credit reported by the participating European banks reached an estimated $145 billion, and the total, including banks in centres outside Europe, was $170 billion.

The external assets and liabilities in foreign currency of the banks of eight reporting European countries (Belgium, France, West Germany, Italy, the Netherlands, Sweden, Switzerland, and the United Kingdom) increased 43 and 45 per cent, respectively, to $189 billion and $191 billion, corresponding in absolute terms to $57 billion and $60 billion. Net of certain kinds of double counting but including the banks' positions *vis-a-vis* residents of the reporting countries, the amount of Euro-credit outstanding went up by an estimated $40 billion to $132 billion while its dollar component rose by $26 billion to $97 billion.

If allowance is made for Euro-currency centres outside Europe (such as the Bahamas, where a growth rate of nearly 90 per cent in the banks' foreign currency position was recorded last year), outstanding volume of foreign currency credit, net of double counting, may be estimated at $155 billion at the end of 1973, against about $105 billion a year earlier.

highlight of the report

This assessment of the Euro-currency market is one of the highlights of the forty-fourth Annual Report of the Bank for International Settlements, which was submitted to the annual general meeting of the BIS in Basle on June 10. The Bank's most recent periodic appraisal of the Euro-currency market is summarized below.

In recent years the increasing number of banks entering the Euro-currency market, together with the tightening of exchange controls on Euro-currency borrowing in several industrial countries, intensified interbank competition and resulted in an active search for new customers and new instruments of finance. The Euro-banks benefited particularly from an increase in loans to developing countries. On the basis of rough but rather conservative estimates, medium-term and long-term Euro-currency credits to developing countries appear to have gone up from $1.8 billion and $4.5 billion, respectively, to a total of $10 billion in 1973. Most of this lending was on a roll-over basis.

roll-over credits

In fact, roll-over credits, on which interest rates are adjusted periodically according to the movement of interbank rates, were a second major benefit to the Euro-banks in 1973. Although this device had been in use for many years, its application was especially appropriate in the climate of uncertainty and inflation in 1973. The roll-over technique made it possible for the banks to offer high interest yields on short-term deposits to investors who were unwilling to tie up funds for long periods at fixed rates of interest. At the same time it enabled the banks to commit these funds at long term without the risk of being squeezed in the event of a future rise in deposit rates. Borrowers were protected against the risk of being caught with over-high interest rate in obligations in the event of a subsequent slowdown of inflation; moreover, since roll-over credits can generally be repaid without penalty before the end of the commitment period, borrowers remained free to refinance at a later date in the bond markets or in another currency.

Another highly effective device was loan syndication, that is, the sharing of a loan among a number of banks. This removed virtually limitations on the size of loans that could be handled by the market. Whereas in the Euro-bond market, for example, the largest issues floated have never exceeded $100 million, the Euro-currency market has been able to make loans of $1,000 million or more. This capacity was particularly important in 1973 because of increasing recourse to the Euro-currency market by semi-governmental and public agencies which had very large borrowing requirements, and the increasing volume of borrowing to finance large energy-related projects. Total new syndicated Euro-currency loans, mainly of the roll-over type, are estimated to have risen from about $11 billion in 1972 to $22 billion in 1973 and to have amounted to about $14 billion in the first quarter of 1974.

Apart from these broad influences, several specific factors helped to account for the extremely rapid growth of the Euro-currency market in 1973.

On the uses side of the market there was at times substantial demand for dollar funds for speculative and hedging purposes, particularly during the first quarter of 1973. Also, the weakness of the equity and bond markets, and especially of the Euro-bond market, boosted borrowers' recourse to the bank credit markets. Moreover, for balance of payments reasons public agencies in Italy and the United Kingdom were officially encouraged to cover their financial requirements through Euro-currency borrowing; the amount raised in this way by the two countries came to $6.7 billion in 1973. Finally, as a result of the sharp acceleration of world trade and the rise in raw materials prices, Euro-borrowing for the financing of international trade also increased.

attracting funds

On the sources side of the market, the steep rise in deposit rates was again successful in attracting new funds. This effect was enhanced by further tightening of controls on inflows of foreign funds in various continental European countries and by the fact that in several countries interest rates on domestic currency deposits only partly reflected the acceleration of inflation because of institutional rigidities and official restrictions. As in preceding years, another important expansionary influence on the supply side was the growth of deposits by official monetary authorities, amounting to about $8 billion to $10 billion; this increase was largly due to a fairly sharp expansion in the reserves of the developing countries, which itself stemmed in part from their Euro-currency borrowing. And finally, the continued rapid growth of the domestic monetary aggregates in many industrial countries undoubtedly

contributed to the further strong expansion of the market.

Contrary to expectations, floating exchange rates and the shift of the US balance of payments from a deficit to a surplus position do not seem to have exerted a major drag on the market. In fact, even after allowance for purely seasonal influences, the market's growth appears to have accelerated in the second half of 1973.

expansionary forces strengthened

In the first quarter of 1974 the expansionary forces operating on the market were further strengthened. On the uses side, a sharp increase occurred in public sector borrowing to finance prospective balance of payments deficits brought about by higher oil prices. Loans by Euro-bank syndicates to governments or public agencies of France, Italy, and the United Kingdom alone amounted to $8.0 billion, although less than half of this amount was actually drawn. Other borrowers obtained about $6 billion of new medium-term and long-term Euro-currency loans, nearly $3 billion of which were accounted for by developing countries. In the case of Japan, the banks were induced to borrow abroad; their gross external liabilities went up by $5 billion in the first quarter of 1974, reflecting a substantial amount that seems to have been raised in the Euro-currency market. Another important expensionary influence also partly associated with the balance of payments repercussions from the high price of oil, was the lifting or easing of controls on capital inflows in continental European countries. This move may have some positive effects on the quality of Euro-currency credit, since it may tend to restore to the Euro-banks the hard core of first class European corporate borrowers whose relative importance to the banks has declined in recent years.

On the sources side of the Euro-currency market, there is already some evidence of larger inflows from the oil exporting countries. The removal of US balance of payments restraints was also significant, This seems to have resulted in a substantial flow of US funds to the market, particularly into medium-term London dollar certificates of deposit; UK banks showed an increase of $3.0 billion (nearly 30 per cent) in such liabilities in the three months ended in mid-April. More generally the removal of US capital controls will lead to greater integration of the Euro-currency market with US financial markets; Euro-dollar rates will tend to be tied even more closely than before to interest rate developments in the United States. This implies that any excess supply of or demand for Euro-dollar funds resulting, for example, from the deposit of oil producing countries' surpluses or from borrowing by deficit countries is likely to be counterbalanced by flows to or from the United States without very large movements in Euro-dollar rates in relation to US interest rates.

For 1973 as a whole, the total external

Foreign Currency Positions of Reporting European Banks vis-a-vis Non-residents
(million US dollars)

Positions vis-a-vis	December 1972			December 1973		
	Dollars	All other currencies	Total	Dollars	All other currencies	Total
LIABILITIES						
Rest of the world						
Other western Europe	7,340	4,530	11,870	9,680	6,550	16,230
Eastern Europe	1,860	1,540	3,400	1,860	2,410	4,270
Canada	4,780	270	5,050	5,700	540	6,240
Japan	1,440	40	1,480	3,370	140	3,510
Latin America	6,860	880	7,740	10,250	1,490	11,740
Middle East	5,900	2,070	7,970	6,030	3,870	9,900
Other	7,360	3,070	10,430	11,400	4,680	16,080
Subtotal	35,540	12,400	47,940	48,290	19,680	67,970
United States	7,050	550	7,600	10,130	460	10,590
Total	42,590	12,950	55,540	58,420	20,140	78,560
Reporting Countries						
Belguim	3,640	2,190	5,830	6,470	4,070	10,540
France	8,060	2,750	10,810	11,230	5,200	16,430
Germany	1,740	1,750	3,490	3,610	4,350	7,960
Italy	9,870	2,960	12,830	11,340	5,120	16,460
Netherlands	3,350	1,850	5,200	4,930	3,080	8,010
Sweden	580	160	740	750	360	1,110
Switzerland	13,560	6,810	20,370	16,080	11,610	27,690
United Kingdom	11,870	3,190	15,060	15,020	6,280	21,300
Total	52,670	21,660	74,330	69,430	40,070	109,500
Unallocated	1,470	590	2,060	2,620	750	3,370
Grand Total	96,730	35,200	131,930	130,470	60,960	191,430
ASSETS						
Rest of the world						
Other western Europe	5,100	2,650	7,750	6,600	4,810	11,410
Eastern Europe	3,890	1,340	5,230	4,910	2,870	7,780
Canada	2,920	330	3,250	4,360	710	5,070
Japan	4,510	250	4,760	7,510	600	8,110
Latin America	6,260	680	6,940	10,280	1,010	11,290
Middle East	1,440	200	1,640	2.030	490	2,520
Other	11,730	1,820	13,550	16,950	3,660	20,610
Subtotal	35,850	7,270	43,120	52,640	14,150	66,790
United States	10,440	480	10,920	13,830	690	14,520
Total	46,290	7,750	54,040	66,470	14,840	81,310
Reporting Countries						
Belgium	4,380	3,320	7,700	5,740	5,410	11,150
France	9,000	2,790	11,790	11,090	5,310	16,400
Germany	2,970	8,130	11,100	3,350	9,360	12,710
Italy	10,660	2,860	13,520	14,490	4,860	19,350
Netherlands	2,660	1,750	4,410	3,800	2,910	6,710
Sweden	470	550	1,020	520	710	1,230
Switzerland	4,190	1,700	5,890	4,560	2,870	7,430
United Kingdom	17,380	4,540	21,920	23,740	7,870	31,610
Total	51,710	25,640	77,350	67,290	39,300	106,590
Unallocated	—	450	450	—	700	700
Grand Total	98,000	33,840	131,840	133,760	54,840	188,600

Data: Bank for International Settlements.

assets and liabilities of the banks of the eight reporting European countries rose by $62.2 billion and $63.9 billion, respectively. Most of this expansion was in foreign currency. External assets and libilities in domastic currency increased by only $5.4 billion and $4.4 billion, respectively. Nearly 90 per cent of the growth in domestic currency assets and two thirds of the increase in liabilities were accounted for by the German, Swiss, and French banks alone. The external sterling assets and liabilities of the UK banks, on the other hand, showed virtually no change for the year.

Assets and liabilities in dollars went up by $35.8 billion and $33.8 billion (an average of 36 per cent), while assets and liabilities in other foreign currencies expanded by $21.0 billion and $25.8 billion (68 per cent). However, nearly one fourth of the expansion in nondollar assets and liabilities was due simply to the valuation effects stemming from the appreciation of those currencies against the dollar.

contribution of the mark

The deutsche mark alone accounted for about half of the growth in nondollar assets and liablilities. Partly as a result of exchange rate movements, its share of the total jumped from 15 to nearly 20 per cent in the first nine months of 1973 before falling to bellow 17 per cent in the last quarter. In absolute terms deutsche mark assets and liabilities increased by $11.0 billion and $12.6 billion, or by an average of 59 per cent. The bank's net assets in deutsche mark soared from $0.9 billion to $5.1 billion in the first quarter of 1973, but during the rest of the year there was a $5.8 billion movement away from the deutsche mark.

The bank showed a quite different response to Swiss francs. On a net basis the reporting banks made no movement into Swiss francs during the first quarter of 1973, but their net liabilities in Swiss francs rose by $1.3 billion, a development probably due to the floating of the Swiss franc by the end of January. Moreover, the banks' gross assets and liabilities in Swiss francs went up fairly steadily throughout 1973, and the recorded average rate of growth of 91 per cent was much higher than that of the deutsche mark. The market share of the Swiss franc expanded from 6 to 8 per cent.

External sterling liabilities of the banks more than doubled, while assets showed a far smaller increase. Consequently, the banks' net position in stering changed from an approximate balance to liabilities of $1.6 billion, probably reflecting forward sales of sterling to the banks by their customers. Large increases were recorded by the banks' assets and liabilities in French francs and in Netherlands guilders, but the shares of these currencies in the total Euro-currency market remained relatively small.

With regard to the positions of banks and nonbanks, the reporting banks' direct

Estimated Size of the Euro-Currency Market

(billion US dollars)

End of Period	Reporting European Area: Banks[1]	Nonbanks	Total	United States	Rest of the World	Unallocated	Total
Uses							
1969	7.0	8.0	15.0	16.8	12.0	0.2	44.0
1970	9.0	15.0	24.0	13.1	19.0	0.9	57.0
1971	13.7	19.1	32.8	8.3	28.9	1.0	71.0
1972	18.1	20.8	38.9	9·6	43.1	0.4	92.0
1973	21.8	29.5	51.3	13.2	66.8	0.7	132.0
Sources							
1969	9.5	12.2[2]	21.7	4.1	17.6	0.6	44.0
1970	13.5	14.2[2]	27.7	4.5	24.0	0.8	57.0
1971	16.4	16.0[2]	32.4	6.1	31.4	1.1	71.0
1972	17.4	17.8[2]	35.2	6.9	47.9	2.0	92.0
1973	24.0	27.5[2]	51.5	9.5	68.0	3.0	132.0
Net position[3]							
1969	—2.5	—4.2	—6.7	+12.7	—5.6	—0.4	—
1970	—4.5	+0 8	—3.7	+8.6	—5.0	+0.1	—
1971	—2.7	+3.1	+0.4	+2.2	—2.5	—0.1	—
1972	+0.7	+3.0	+3.7	+2.7	—4.8	—1.6	—
1973	—2.2	+2.0	—0.2	+3.7	—1.2	—2.3	—

[1]Includes: (a) under Uses, the banks' conversions from foreign currency into domestic currency and foreign currency funds supplied by the reporting banks of the commercial banks of the country of issue of the currency in question (such as deutsche mark funds deposited with German banks); (b) under Sources, deposits by official monetary institutions of the reporting area, the banks' conversions from domestic into foreign currency, and foreign currency funds obtained by the reporting banks from the banks in the country of issue of the currency in question (such as funds received (deutsche mark from German banks).

[2]Inciudes trustee funds to the extent that they are transmitted by the Swiss banks to the other banks within the reporting area and to the extent that they are not reported as liabilities vis-a-vis nonbanks outside the reporting area by the Swiss banks themselves.

[3]A minus sign indicates that the country or area in question is a net supplier of Euro-currency funds, whereas a plus sign indicates that it is a net user.

Data: Bank for International Settlements.

Foreign Currency Positions of UK Banks

(billion US dollars)

Items	1971	1972	1973 March	1973 June	1973 September	1973 December
Assets vis-a-vis						
Nonbank residents	3.7	5.5	6.5	7.5	8.7	9.8
Rest of reporting area	17.9	21.6	27.1	28.0	30.3	31.7
United States	5.2	5.4	5.5	4.8	6.0	7.0
Rest of the world	20.2	29.4	32.0	36.0	40.5	45.6
Liabilities vis-a-vis						
Nonbank residents	1.5	2.3	2.9	3.9	3.2	3.4
Rest of reporting area	22.9	27.0	29.0	31.3	37.7	42.9
United States	3.4	3.6	4.8	4.7	4.8	4.9
Rest of the world	19.4	29.2	34.3	37.4	39.6	42.9
Net position vis-a-vis						
Nonbank residents	2.2	3.2	3.6	4.6	5.4	6.4
Rest of reporting area	—5.0	—5.4	—1.9	—3.3	—7.4	—11.2
United States	1.8	1.8	0.7	0.1	1.2	2.1
Rest of the world	0.8	0.2	—2.3	—1.2	0.9	2.7

Data: Bank for International Settlements

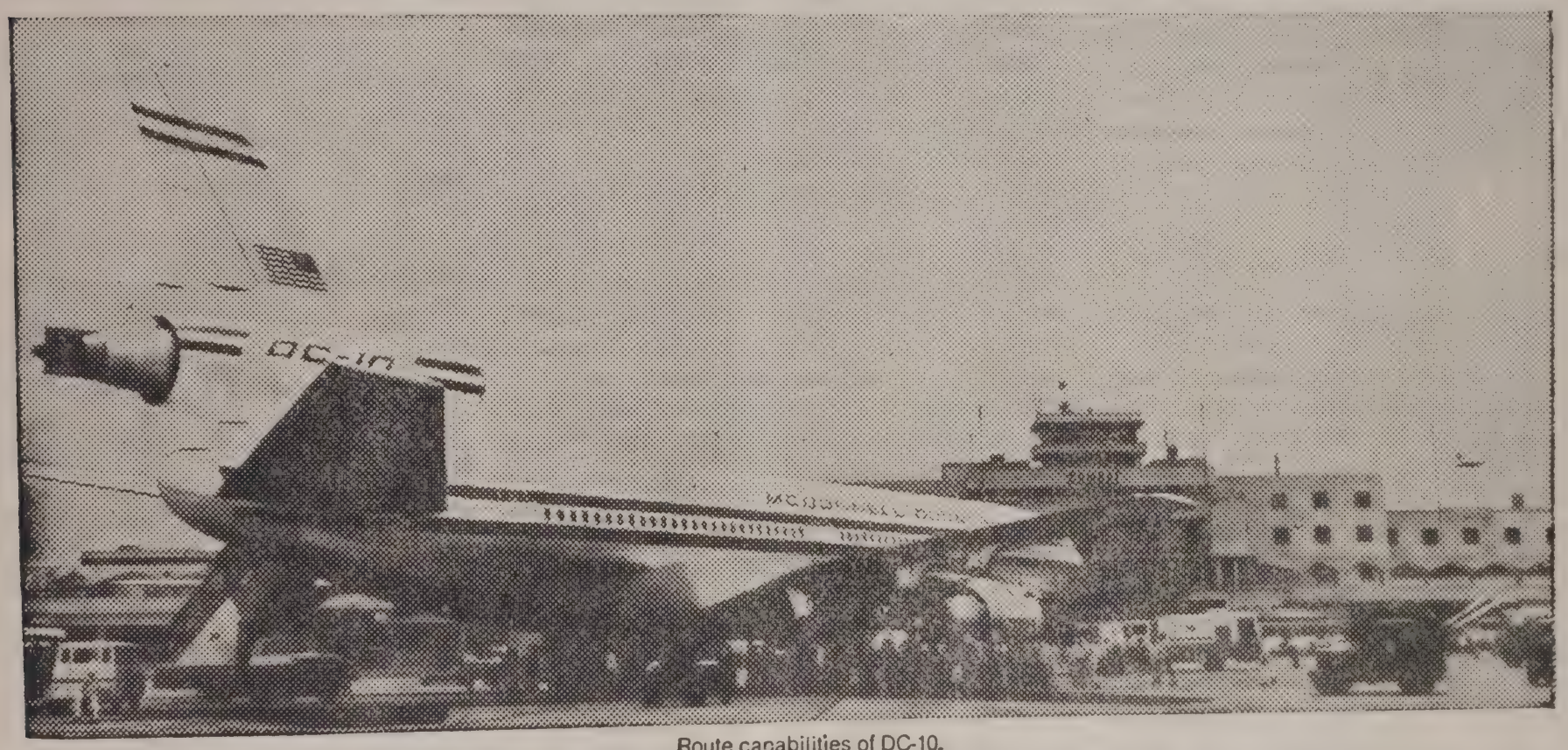
McDonnell Douglas DC-10: It helps airlines fight rising fuel costs.

At a time when shortages and the rising cost of petroleum are a worldwide concern, the McDonnell Douglas DC-10 commercial transport fleet is saving millions of gallons of fuel each year. Because DC-10s are the most efficient long-range jets in terms of fuel consumption. Their quieter, smoke-free operation makes them welcome in airport communities everywhere.

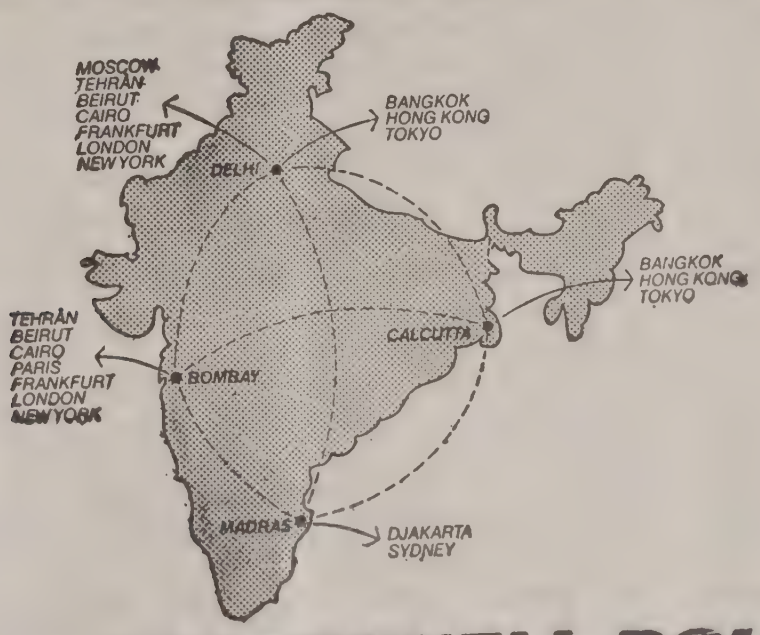
Already, 32 air carriers throughout the world are now operating or have ordered the versatile, thrifty DC-10. And this family of fine jetliners offers airlines a wide choice: Passengers or freight. Ranges from 200 to 6,500 miles (Bombay-Amsterdam, Bombay-Nairobi, India-United States). Payloads to 155,000 pounds. From 270 to 380 passengers in extra-quiet cabins. And in actual operating environment tests at airports around the world, it proved it is the quietest of the new big jets.

The DC-10 is the logical choice for people who fly jetliners and people who buy them.

DC-10 visits Bombay during world tour.



Route capabilities of DC-10.



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We bring technology to life.

credits to foreign nonbank borrowers went up by 36 per cent, against a rise of 45 per cent in their interbank claims. In absolute terms, the increase in claims on nonbanks came to $9.5 billion, or, including the incomplete figures for claims on residents, $14.9 billion. Even so, this is, still far short of the estimated $22 billion increase in syndicated Euro-currency loans.

The UK banks alone accounted for half of the growth in the reporting banks' gross foreign currency; as a result the share of the UK banks, which had been declining in recent years, expanded from 44 to 46 per cent. In absolute terms, assets and liabilities expanded by $27.9 billion and $30.9 billion, respectively, or by an average of 51 per cent. The increase of $3 billion in the banks' net external liabilities had as a counter-balance a rise of $3.1 billion in net claims on residents and was in large part tied to Euro-currency borrowing by the public sector. It may be noted that in the first quarter of 1973 there was a $3.5 billion net flow through the UK banks to the seven reporting continental European countries from the United States and the rest of the world.

net flow

In the last three quarters of 1973, in contrast, there was a net flow of $9.3 billion from the seven reporting continental European countries to the UK banks, $6.4 billion of which was redirected to the rest of the world. The share of the London branches of US banks in the UK banks' external positions in foreign currency, which had amounted to 60 per cent at the end of 1969, declined further to 40 per cent. The other foreign banks in London, which include affiliates of Japanese banks, recorded growth rates nearly two and a half times as large as those of the US branches, and their share of the market widened from 21 to 27 per cent.

In relative terms, the largest growth in external positions in foreign currency was recorded by the Belgium-Luxembourg banks, whose assets and liabilities went up by an average of 61 per cent. Their expansion was particularly marked in currencies other than the dollar. The Belgium-Luxembourg banks are now the only reporting banks whose nondollar foreign assets and liabilities are larger than those in dollars, reflecting the large volume of business conducted in deutsche mark by banks in Luxembourg. The special role of the Belgium-Luxembourg banks in the market is also reflected in the fact that they and the UK banks are the only reporting banks whose claims on foreign nonbanks account for a large proportion of their total external assets in foreign currency.

Only the Swiss banks showed no increase in their external assets in foreign currency (excluding trustee funds) during 1973, probably because of the exchange rate uncertainties. Since liabilities continued to go up, their net assets declined by $0.9 billion, but this decline was more than offset by a $1.2 billion expansion in their net foreign assets in domestic currency.

exchange rate uncertainties

Germany is the only country of the reporting group in which the banks' external positions in domestic currency are in general larger than those in foreign currency. This is mainly attributable to regulations in Germany which make no distinction between the banks' business in domestic currency and that in foreign currency, but differentiate only between resident and non-resident accounts. The German banks' net external liabilities in all currencies rose by $1.9 billion in the first quarter of 1973, but declined by $3.6 billion during the rest of the year.

The Japanese banks' external foreign currency liabilities recorded an expansion of 72 per cent, whereas their assets went up by only 13 per cent, as domestic monetary conditions tightened and the restrictions on capital inflows were gradually relaxed. As a result, the banks shifted from assets of $2.4 billion to liabilities of $1.7 billion; $1.7 billion of this inflow came from the United States and $2.4 billion from the eight reporting European countries.

In 1973 the geographical pattern of Euro-currency flows was quite different from that of 1972. On the sources side, the reporting European countries were by far the largest supplier of new funds. The reporting banks' foreign currency liabilities to their own area rose by $35.2 billion ($19.1 billion more than in 1972, but these figures are inflated by a substantial amount of double counting caused by redepositing between the reporting banks). A large part of the acceleration was due to bigger inflows from Switzerland and Germany. Whereas in 1972 the reporting banks' foreign currency liabilities to Switzerland had shown an increase of only $1.0 billion, they rose by $7.3 billion in 1973. On the other hand, since the Swiss banks seem to have recorded only a slight increase in claims on the other reporting banks, it would appear that most of this rise was accounted for by trustee funds (funds managed by the Swiss banks on behalf of and at the risk of their customers) and other nonbank funds. The reporting banks' liabilities to Germany, which had remained virtually unchanged in 1972, rose by $4.5 billion in 1973. This inflow, a major part of which occurred in deutsche mark, was spread over the year but was particularly large during the fourth quarter.

There were also large flows to the market from France ($5.6 billion), Belgium-Luxembourg ($4.7 billion) and the Netherlands ($2.8 billion). However, their acceleration in comparison with 1972 was less pronounced, and the inflows were to a large extent offset by outflows. Italy was the only country toward which the reporting banks showed a smaller increase in liabilities than in 1972 ($3.6 billion against $4.4 billion), partly because of the tightening of Italian exchange controls; there may also have been an acceleration in inflows to the market from Italy through turstee accounts with Swiss banks. A $6.2 billion increase in the reporting banks' liabilities to the United Kingdom mainly reflected the role of the UK banks as Euro-currency intermediaries and was to a large extent due to the flows in the first quarter from the rest of the world through London to the continent.

largest flow to UK

On the uses side, the increase in positions of the reporting area was $29.2 billion, somewhat less than the expansion on the sources side. At $9.7 billion, the largest increase in assets was to the United Kingdom; this occurred in the last three quarters of 1973 and mainly reflected flows from the continental European area through London to both the United Kingdom and the rest of the world. The rise of $5.8 billion in claims on Italy was largely accounted for in Euro-currency borrowing by the Italian public sector.

The Middle East and "other western Europe" continued to be net suppliers of funds to the banks in the eight reporting countries—although, at $1.1 billion and $0.7 billion, respectively, the inflows from these areas were on a much smaller scale than those of previous years. The bulk of the $1.9 billion increase in the banks' gross liabilities to the Middle East occurred in the first quarter of 1973. In the second quarter the Middle East drew down dollar deposits by $1.1 billion, while building up other currency deposits by a similar amout. In the third quarter the Middle East reduced dollar and other currency deposits by $0.9 billion, but then rebuilt them by $1.0 billion in the fourth quarter. For the first time, the Middle East was also of some importance as a borrower of Euro-funds in 1973.

—IMF Survey

MOVING FINGER

As at the time of the nationalization of banks, the prime minister, apparently, has once again taken into her firm, even if not entirely fair, hands the direction of the government's economic policies. On the earlier occasion she had to divest Mr Morarji Desai of the Finance portfolio in order to be able to do this. On the present occasion she seems to have merely shoved Mr Chavan aside. I am not suggesting that the present Finance minister has any sharp differences with his chief over policy issues relating to the recent ordinances. On the contrary, his only concern for some years now has been to take care that he does not drop his bread on the side where the jam is. My point is that, after having quite possibly spent time vainly looking for a wizard to set the national economy right, Mrs Gandhi seems to have decided to practise her own witchcraft for whatever it is worth.

During the past several days she has been uttering imprecations against or casting incantations on hoarders, black marketeers and reactionaries generally. These malingerers and malefactors have been told that they are about to be forced to disgorge their ill-gotten wealth as well as clubbed and clobbered into ideological submission and political subservience. Meanwhile what is happening is that both the price of gold and the rupee rate for the dollar in the black market are merrily going up indicating that the laws which the prime minister is threatening the big blackmoney men with hold no terrors for them at all. It is quite evident that the new economic policy which she is trying to sell through her speeches in various state capitals is being regarded by those whom it is seemingly intended to intimidate as just another political diversion in the manner of the nationalization of banks so that the people at large may be led to believe that something wonderful is really being attempted to restore health and vigour to the national economy.

That the prime minister herself has but a very narrow and specific interest in her own new economic policy is clearly brought out by the fact that she has already started exploiting it as a propaganda weapon for her party's benefit. If she really believes that she has at last got for herself a policy which could bring down prices and arrest inflation, while promoting both production and employment, the agitation which Mr Jayaprakash Narayan has started in Bihar should have been interpreted by her as a welcome challenge to her to put that policy to the test of public opinion. She should have gone at once to Bihar and explained to the people what she is doing to improve the econo my and also the quality of public life. Instead, she has chosen to throw mud at the movement in Bihar from the capital of its neighbouring state of West Bengal. After all, Patna is not so far away from Calcutta as all that, especially where our quick-and-much-travelling prime minister is concerned. Again, when she decided to accuse some Bombay businessmen of trying to create mischief in Bihar, what prevented her from going to Bombay to say this, or made it convenient for her to make these allegations in Calcutta? Could it be that she wanted to take the minds of her Calcutta audience off the domestic troubles of her own party in that state (and the corruption inquiry which the chief minister of West Bengal has thought it prudent or useful to set up) by talking about evil men from Bombay trying to do evil things in Patna?

Mrs Gandhi said that some businessman had sent an "emissary" to her to persuade her to have the cases pending against him in the courts withdrawn. It seems to me that such an "emissary", to quote the prime minister again, could not have been sent to her for such a purpose unless the prime minister, for reasons of her own, is in the habit of harbouring such emissaries or entertaining such representations. In any case, even on this occasion, Mrs Gandhi, according to her own statement, asked the go-between how she could face the people if she agreed to have the cases withdrawn. Does this mean that what has bothered the prime minister is only her public 'image' and not the question whether she can at all interfere with or even be 'approached' to interfere with judicial proceedings in the manner proposed? Finally, according to the prime minister, the businessman or his emissary held out an implied threat that, since she had rejected his request, an attempt would be made to create trouble for her. Again —also according to Mrs Gandhi —this businessman has attempted to make good his threat by associating himself with the agitation in Bihar. Since this is a story which the prime minister tells, it must no doubt be true, but I am certainly surprised that there are indeed businessmen in this country who could openly hold out such threats against the prime minister. My own impression is that, at least so far as overt demonstration goes, the business community (or most of it) is one section of the population which is most willing at the present time to play at being mamma's darling.

The ubiquitous Coke is becoming almost universal. The USSR is the latest addition to its territory. Only China significantly remains to be annexed. I am referring of course to what has been described as a scientific and technical cooperation agreement signed on June 26 by the Coca-Cola Company of the United States with the State Committee for Science and Technology of the Council of Ministers of the USSR. This agreement is said "to cover an exchange of information in the fields of food processing, agricultural cultivation and industrial equipment manufacture." All this of course is mere face-saving communist bombast. The plain truth is that, having tasted Pepsi-Cola, the Russians would evidently like to find out what its more famous competitor tastes like. Incidentally Pepsi-Cola had entered the Soviet Union earlier by courtesy, as some would argue, of President Nixon who, it is alleged, used his influence with Moscow for this purpose in acknowledgement or perhaps 'repayment' of his earlier association with the Pepsi-Cola Company as one of its lawyers. There is therefore irony in the fact that the Coca-Cola agreement was signed in the Soviet capital the day before the US President arrived in that city for his latest round of summit talks with Mr Brezhnev. Now that Coca-Cola has been welcomed in the communist fatherland and the US company manufacturing it has been made respectable by the highest if not the noblest sons of Mother Russia, I wonder what would be the attitude hereafter of the comrades in our own country. Quite a few of them no doubt enjoy a coke, but I am talking about their public posture.

VB

TRADE WINDS

ank Rate Raised

HE RESERVE Banks of India ised the Bank rate from seven er cent to nine per cent on ıly 22, 1974. The two per-ntage point hike in the Bank ıte, the steepest-ever resorted by the Reserve Bank, initia-d a dear money policy which ıcreased the commercial anks' lending rate from 11.0 12.5 per cent.

In the past 12 years the Bank ıte has been changed a num-er of times. It was raised rom four to 4.5 per cent on anuary 3, 1963, to five per ent on September 26, 1964 and six per cent on February 7, 1965. It was lowered to ve per cent on March 2, 1968 ut was again raised to six per ent on January 8, 1971 and to even per cent on May 30, 1973.

While the savings deposits ate has been left untouched at ve per cent, the interest on leposits for one year and over as been raised, especially in the ategory of five years and over —by two percentage points to 0 per cent.

Deposits of over one year ut less than two years, which etched 6.75 per cent interest, nd of two years and over but p to three years, which used o fetch 7.25 per cent, have been compressed into one category nd will be paid eight per cent per annum.

The emphasis is on boosting lending rates "as a measure of credit restraint". Along with the minimum lending rate, the bill finance rate has been raised by 1.5 per cent to 11 per cent in the case of drawers' (sellers) bills and 12.5 per cent for drawees' bill.

The minimum lending rate for advances against sensitive commodities that is, commodities in short supply, experiencing buoyancy in prices such as oils and vanaspati, sugar, foodgrains and cotton textiles (trade advances), has been raised from 13 to 15 per cent.

Export credit too has been made dearer, like food procurement. The food credit to state government agencies will be charged at 12 per cent as against nine per cent.

For the first time, existing term deposits will also benefit from higher interest up to 10 per cent for deposits of over five years for the unexpired portion of their contracted periods.

Indo-Soviet Shipping Pact

India and the Soviet Union have signed a shipping pact that envisages increased movement of cargo between the two countries and provides for adequate shipping space. The pact is also notable for the fact that the bunker surcharge leviable by the shipping companies of the two countries has been slashed down from 35 per cent last year to 26.5 per cent this year. Admiral S.M. Nanda, chairman and managing director of the Shipping Corporation of India stated recently that the movement of cargo between the two countries could easily cross the 1.2 million tonnes mark. The entire cargo load is to be shared between the shipping companies of the two countries on fifty-fifty basis. The total freight bill may be of the order of Rs 20 crores. The outstanding feature of the annual contract is that Russia will export during this year, about 350,000 tonnes of fertilisers against the average export of 150,000 tonnes. The USSR will, for the first time, import from India about 50,000 tonnes of calcined alumina. The total exports from India may be of the order of 650,000 tonnes..

Admiral Nanda stated that the negotiations for the pact were held at a commercial level within the framework of the Indo-Soviet shipping agreement of 1956 which provided for periodical consultation for strengthening the liner shipping operations between the ports of the two countries. The two partners of the shipping service discussed the improvement in the availability of bunker oil at various ports as well as reduction in the bunker prices over the last few months. In the light of these developments, they decided to reduce the bunker surcharge by over eight per cent. The two sides also revised many operational aspects of this service including fluctuations in rupee/rouble parity, port conditions in India and the Soviet Union and technological improvements.

Indo-Polish Trade

Trade between India and Poland was expected to touch the Rs 200-crore mark in 1974. This was stated by his the Polish ambassador in India recently. Poland's assistance to this country is mainly in coal mining and fishing. The ambassador added that the joint Indo-Polish Commission on Economic Coopration was doing good work and he was sure the next meeting of the commission in Delhi would result in increasing cooperation between the two countries. Poland, which extends assistance to India in coal mining, stands fifth in the world in the production of hard coal with 151 million tonnes a year.

Electronics Team for Japan

A three-member Indian delegation left Japan on July 20, to explain facilities available in the Santa Cruz Electronics Export Processing Zone (SEEPZ) to Jopanese business circles and to generate interest for setting up units there. The delegation consists of the development commissioner of the SEEPZ, Mr S. Rajgopal, director SEEPZ in the Commerce ministry, Mr N.S. Vaidyanathan, and Mr T.R. Raman of the Electronics department. Space is available for about 100 units in the zone. There are already 40 approved enterprises and production in some of the units is expected to start soon.

Increase in Exports

Exports have risen by 23 per cent in the first two months of the current financial year. Compared with exports of Rs 318 crores in April-May 1973, exports in the corresponding months this year have been Rs 389.3 crores. Among the major foreign exchange-earners, export prospects of jute and tea have been considered bright. The breakthrough achieved by the tea-exporting countries at the recent FAO meeting in persuading consumer-countries to agree to an increase in tea prices will improve India's earnings from tea exports.

Export prospects have improved also because the tea crop in Kenya, another major tea-exporting country, is poor this year. The export promotion secretary, Mr S.G. Bose-Mullick, who attended the FAO meeting, stated recently that major tea-importing countries, including the USA, Australia, New Zealand and the EEC countries, had agreed to a proposal for increase in tea prices. As a result of the agreement tea prices had improved in London. India's quota for exports is 217 million kg. The ministry hoped that tea exports would reach Rs 174 crores against Rs 164 crores last year. Mr Bose Mullick added that although jute production had fallen this year, it was hoped that the export target of Rs 275 crores would be reached and even exceeded, because jute prices

increased in international kets.

o Numbers Game

here is of course nothing ic about the frightening ease in the population of world. This is indeed a ming tragedy which does respect national frontiers, manding, as it does, a global ort at self-defence and sur-al. The secretary-general the United Nations has pro-imed 1974 as World Popu-ion Year, and in August a orld Population Conference, ich will be the first world-de inter-governmental meet-g to address itself to this oblem, will be held in Bucha-st, from the 19th to the 30th that month, at the invitation the government of Rumania. *xplosion-Hunger*, a quarterly dited by Mr L.T. Karamchan-ani and published by him, Address: First floor, Khanna alkies Building, New Delhi 10 055), has devoted its la-est issue to the theme of this onference and has presented comprehensive discussion of he various aspects of the world population outlook by emi-nent contributors. Dr Antonio Carrillo Flores, a former Fo-reign minister of Mexico and secretary-general of the Bucha-rest conference, has indicated that, since population touches on all man's material concerns, "we shall explore its inter-relationships with develop-ment, resources and the en-vironment, human rights and the family as the basic unit of society in all countries at all times." In keeping with this purpose and the agenda before the Bucharest conference, this special number of *Explosion-Hunger* offers informative co-verage and analysis of the socio-economic implications and challenges of what must cer-tainly be mankind's major con-cern in the last quarter of this century, namely, the pressures of population growth on man's mind, livelihood, way of life and physical and biologi-cal environment.

Committee on land Use

The union government has constituted a committee to give detailed advice on the setting up of a Central Land Use Commission. The question of keeping a continuous watch on the land management prob-lems and of ensuring adequate attention at all levels has been under consideration of the go-vernment for some time past. Headed by the member (Agri-culture) of the Planning Com-mission, the committee in-cludes secretaries of the de-partments of Agriculture, Co mmunity Development and Cooperation, Agricultural Re-search and Education and of the ministries of Irrigation and Power and Finance and Ins-pector-General of Forests. The additional secretary (officer on special duty) in the de-partment of Agriculture will be its member secretary. The committee will consider and report on the following matters: (a) the manner in which the proposed Central Land Use Commission or authority should be set up, (b) the discipline which it should represent, (c) the manner in which it would function. (d) the degree of financial control that will be required by it. The committee would submit its report with-in two months.

Tungabhadra Steel

The Tungabhadra Steel Products Limited, a public sector undertaking under the ministry of Heavy Industry, showed a steady increase tn production during the past seven years. Actual production in 1973 was Rs 2.28 crores as compared to Rs 2.22 crores in 1972 and Rs 1.51 crores in 1971. The production target for last year was Rs 2.31 crores whereas Rs 2.48 crores is the target for this year. During the past 13 years of operations, the company earned a profit of Rs 82.33 lakhs. The TSP manufactures hydraulic gates, hoists, penstocks for river valley projects, pressure ves-sels, tanks, gantry and ECT cranes, building structurals and transmission line towers.

During 1973, the company completed the erection of 22 radial gates for the Ukai pro-ject and four for the Malap-rabha project. Orders valued at Rs 9 crores are in hand. The major orders being spillway radial gates for Kanda, Kali-nadhi and Kabini and Upper Krishna projects in Karnataka, Barna and Tawa projects in Madhya Pradesh, and high-head gates for Beas project in Himachal Pradesh. A diver-sified expansion programme costing Rs 1.04 crores has been launched. This includes sett-ing up of structurals shop, ma-chine shop and foundry.

Syndicate Bank Branch

The Syndicate Bank will be opening its first overseas branch in London to augment its fo-reign exchange business so that more assistance could be ex-tended to small exporters. The branch is expected to start func-tioning latest by December this year. This was disclosed re-cently by Mr M.K. Damle, deputy regional development manager, who revealed the bank's achievements after na-tionalisation. The deposits have shown an increase of 164 per cent during five years since nationalisation. They stood at Rs 334.57 crores up to June this year against Rs 126.86 crores in July 1969. Advances showed an equally impressive rise, from Rs 90.36 crores to Rs 234.63 crores.

Indan Sugar for Iran

The State Trading Corpora-tion has been able to sell su-gar at £285 a tonne to Iran. The STC sources stated that 11,000 tonnes of sugar would be supplied to that country which would bring in fo-reign exchange of the order of Rs 6 crores.

Paper Mill in Nigeria

An agreement has been signed with the government of Nigeria for the supply of tech-nical know-how and manage-ment services for expansion of a state-owned Nigerian pa-per mill. The agreement signed recently at Lagos by the Birla brothers, the collaborators, envisaged expansion of produc-tion of paper from the current 40 tons to 200 tons per day and establishment of facilities to produce 200 tons of pulp daily from indigenous hard wood. The entire expansion project is estimated to cost $72 million (nearly Rs 52.56 crores).

Bonus Act Extension

The Bonus Act, enjoining payment of a minimum bonus of 8-1/3 per cent to employees in all industrial establishments, is being extended for one more year. The extension was ap-proved recently by the Political Affairs Committee of the union cabinet. The necessary amend-ing legislation will be brought forward at the monsoon session of Parliament.

More Planes for Indian Airlines

The Indian Airlines hopes to receive four Boeing 737 aircraft before the end of this year, chair-man, Air Chief Marshall P.C. Lal stated recently. He added that it was proposed to extend the Boeing 737 services to some southern stations. A second flight with connections to Ban-galore was the highlight of the winter schedule, he added.

Electric Typewriters

Electric typewriters de-signed and developed with In-dian know-how, will be in the market by the end of this year. Hindustan Teleprinters Limi-ted, now engaged in conduct-ing reliability tests on the type-writer, has commenced manu-facturing its components. Ini-tially, 500 typewriters will be put on sale in the first year. The production will be increased from 1,000 units, in 1975-76 to 4,000 units in the last year of fifth Plan. The typewriter, developed over the past 18 months, will cost about Rs 5,000 as against Rs 8,000 for a similar imported machine. Ninetyfive per cent compo-nents will be indigenous.

Jute Mill in Nepal

The Nepalese government has granted a licence to Rajasthan Fertilizers and Chemicals Corp. to establish the kingdom's biggest jute mill in Jhapa dist-rict in eastern Nepal with 51 per cent of equity capital to be held by Nepalese citizens

COMPANY AFFAIRS

Stalemate in Stocks

ALTHOUGH the stock exchanges have officially resumed business, after their enforced inactivity in the wake of the recent ordinance imposing restraint on dividends, they seem to have merely passed from a state of shock into a spell of suspended animation, thanks to the fact that the prevailing market rates in unofficial trading are much below the floor rates fixed by the authorities. In these circumstances news of improved corporate performance, which continued to trickle in, was merely wasted on speculators and investors alike. The government's decision amending the dividend ordinance in such a way as to interpret "net profits" as meaning profits after taxes, including income-tax, blasted earlier expectations that New Delhi could be persuaded to liberalize the scheme at the time of the enactment of the relevant law by Parliament. The financial community has taken the amendment to mean that the government is determined to follow a tough policy of drastically curtailing dividends.

More specifically the amended version has been found to impose excessively harsh penalties on shareholders of particular companies or categories of companies as, for example, public utilities. Meanwhile *TISCO* shareholders have been told that the equity dividend will have to be cut further because of the revised version of net profits and that, instead of the amount of Rs 8.60 per share originally recommended by the board (and revised to Rs 7.10 when the ordinance came), the dividend will now be only Rs 4.75 per share. In the case of *TELCO*, again, the sum distributable as dividend has been further reduced as a result of the amendment to the ordinance and, consequently, the dividend will now be only Rs 9.30 as against Rs 15 per share originally recommended by the directors.

While a number of companies have been or will be similarly affected, the revised version of net profits has been found to be favourable to some companies going through a strong growth stage. *Indian Hotels*, for instance, have found it possible to revise its proposed dividend upward to 6.4 per cent. Meanwhile, companies such as *Larsen and Toubro*, which had declared dividends at rates higher than 12 per cent before the promulgation of the ordinance, are effecting the necessary modifications in order to bring down the rate to the permissible maximum.

In the new issues market, however, things could have been worse. *Khandelwal Herrmann Electronics*, for instance, was reported to have been oversubscribed while *Universal Cans and Containers* was stated to have elicited adequate response. It is generally believed that basically sound issues will be backed by institutional underwriters such as the ICICI, the Unit Trust and the LIC and that there is no need for them to despair of attracting genuine investment interest even in the present difficult circumstances.

As Raj Sees It

In an effort to boost morale, particularly in his own organization and more generally in the capital market, the chairman of the Unit Trust, Mr J.S. Raj, has been re-assuring UTI agents and others that share values are bound to recover substantially by the end of this year. In his view the fall in the prices of even speculative shares would, at the worst, be of the order of 10 per cent. He has affirmed the Trust's capacity to maintain the dividend of 8.5 per cent in the current year. Whereas the Trust's dividend income from equity shares may not decline by more than Rs 2 crores from the last year's level of Rs 5 crores, its income from its funds employed in the short-term money market or bridge finance was expected to increase by over Rs one crore from last year's income of Rs 3 crores.

Secondly, the Trust's income from interest on debentures and from dividend on preference shares is expected to go up by about Rs 50 lakhs this year as several companies in which UTI holds preference shares are expected to pay accumulated preference dividends in the current year. According to Mr Raj, the intrinsic worth of the Unit, even after considering the likely fall in share values, is about Rs 11.50 against its face value of Rs 10. His advice is that Units are well worth holding but in case any Unitholder thinks otherwise, the Trust, will readily buy whatever Units are sold back to it. It is evident that Mr Raj is speaking in the context of fears more or less widely expressed that the Unit Trust may have to face a flood of sellers when it resumes repurchase after the end of this month. Quite possibly his observations and assurances may have a soothing effect. So far as sales at the special price of Rs 10.30 per Unit, effective during the month of July go, business seems to have been quite modest and it is likely that, even if there is no rush on the part of the existing Unitholders to liquidate their holdings when August arrives, there may be no large revival of investor interest either. A weak and disturbed capital market is clearly bound by its own inexorable logic, from which no part of it can hope to escape easily.

Hindustan Sanitaryware

During July 1974, Hindustan Sanitaryware & Industries Limited, the pioneers in the manufacture of sanitaryware in India and the largest exporters, made a record shipment of 15,000 pcs. of its products, (weighing 138 tonnes and valued at Rs 7.79 lakhs) to Kenya. This was the first time that a single manufacturer of sanitaryware in the country had been able to make this achievement.

Tata Steel

In his statement to the shareholders of the *Tata Iron and Steel Company Limited*, the Chairman, Mr J.R.D. Tata, has talked of the economic crisis facing the country with grave concern but also in a spirit of confidence. He has even ventured to ask cautiously whether there will not be a new dawn soon. Mr Tata is re-assured by the "government's newly evinced determination that a minimum degree of peace and discipline be maintained in industry" and he is glad that, "at least in regard to steel", New Delhi seems to be adopting a flexible and realistic price policy. This does not mean however that he has no criticism to offer on this policy. He questions the fairness of the condition imposed by government that the excess of the new prices over the retention prices is to be used exclusively towards financing schemes of modernization and development and that no part of it should be used for increasing dividends payable to shareholders. He is no doubt very much in the right here but this particular grievance has become rather academic, at least for the time being, in view of the

vidend restaint ordinance
ıich has so heavily hit the
areholders of TISCO in
ırticular. Incidentally, Mr
ıta's statement dated July 3
ıs drafted before the issue of
e ordinance and it there-
re carries no reference to it.
is reaction to the ordinance,
pecially in its amended form,
ıs however been forcefully
resented by him in a statement
the press and Mr Tata has
ertainly given forthright ex-
ression to views and senti-
ents widely entertained in the
nancial and business commu-
ity as well as among the gene-
ıl body of investors.

Commenting on the propo-
ıls for the expansion of steel
apacity at Jamshedpur Mr
ata points out that the Nip-
on Steel Company's scheme
or a project which would bring
he total capacity to about five
illion tonnes of raw steel
r 2½ times the present capacity
vould cost a truly formidable
mount estimated at about Rs
,800 crores. Asking himself
vhat role the company could
ake in the project in the face
f such an astronomical finan-
ial requirement, Mr Tata
onfesses that he sees no clear
nswer at this stage but is con-
ident that the company could
espond to any challenge and
continue to play its part with
efficiency and dedication, al-
hough the government and/or
nstitutional finance would
necessarily have to bear the
major part, if not the whole, of
the burden of this large-scale
expansion.

Mr Tata's views on the ex-
pansion of steel capacity which
apply not only to the Jamshed-
pur project but also to the en-
tire steel planning by the go-
vernment have been given in
the statement briefly but with
concentrated logic. He warns
our steel planners that, while
the financial aspect will have
to be considered in terms of the
various development priori-
ties, it has specially to be borne
in mind that any substantial
scheme for additional steel-
making capacity should be pro-
perly sustained and coordinated
by the establishment of a whole
range of facilities for inputs
such as raw materials, electric
power, rail transport, engineer-
ing products of all kinds and,
equally important, the human
resources required to engineer,
build, manage and operate
expansion schemes or new
plants.

Turning to the more imme-
diate task of bringing and main-
taining the present works to the
highest possible level of effi-
ciency, Mr Tata states that
steps are being taken to streng-
then the engineering organisa-
tion, including its design capa-
bilities and to add to Jamshed-
pur's ability to manufacture
and fabricate scarce replace-
ment items of plant and equip-
ment, some of which are of a
highly sophisticated nature.
This development is of special
significance since the com-
pany has embarked upon a
five-year capital expenditure
programme at an estimated
cost of about Rs 180 crores of
which a substantial part will be
spent on the coalmines in order
to make the steel plant self-
sufficient in its requirements of
high-grade coking coal.

Tata Engineering

There is a feeling, rather too
readily entertained, that the
better corporate results which
are being reported reflect only
the earnings of industry from
inflation. It is often assumed
that companies are making
more profits merely because of
shortages and higher prices.
Actually, the prevailing econo-
mic conditions could be a seri-
ous problem to company
managements. Manufactures,
too, have to Pay high
prices for raw materials
or other inputs which are
becoming increasingly dearer
and also more and more diffi-
cult to procure in time or in
adequate quantities. In these
circumstances good corporate
performance is more often than
not a consequence of better
management. This seems to be
true of the record of the *Tata
Engineering and Locomotive
Company Limited* during the
financial year ended March
1974.

As its chairman, Mr S.
Moolgaokar, has pointd out in
his statment to the sharehol-
ders, the company, finding it-
self in challenging circumstan-
ces, nevertheless produced
780 vehicles more than in the
previous year, while constantly
trying to improve the quality
of its product and vigorously
pursuing its expansion plans.
Power shortage was a
problem which interfered with
production in the TELCO plant
both directly and by disrupting
the flow of materials from supp-
liers. Shortages of a number of
items threatened to bring the
assembly line to a standstill
on more than one occasion.
External circumstances such as
the three-day week in British
industry, which reduced the
availability of special rolled
steel sections and the oil crisis,
which curtailed shipping facili-
ties and starved ancillary sup-
pliers of imported materials
and parts, also played a part.
The company, moreover, was
squeezed between increases in
prices effected by most of its
suppliers and the control to
which its own prices were sub-
ject. As Mr Moolgaokar puts
it, "we had to work literally in
a strait-jacket. It is in these
circumstances that the com-
pany had maintained its pro-
fitability during this period
indicating the management's
effectiveness in coping with the
talk of raising productivity.
The chairman explains
that this success was
achieved by building up the
company's infrastructure parti-

BHARAT COMMERCE AND INDUSTRIES LIMITED

NOTICE

NOTICE is hereby given that an Extra-ordinary General Meeting of Bharat Commerce and Industries Limited, will be held at Hotel Imperial Janpath, New Delhi-110001, on Monday, the 19th day of August 1974 at 11.00 A.M. to consider, and if thought fit, to pass with or without modification the following special resolution :—

AS SPECIAL RESOLUTION

RESOLVED that approval in terms of Section 149 (2A) of the Companies Act 1956 be and is hereby accorded :—

To commence business of purchasing, selling and exporting of machineries & equipments, accessories of all kinds, spare parts, handling & transport equipments, boilers & fittings, machine tools, pipes and fittings, electrical goods, transformers, cables, building materials, A-C sheets, G. I. & black sheets, steel fabricated & unfabricated, humidity & airconditioning plants, insulation materials, fibres of all kinds (natural & man-made), textiles (made up and otherwise), zari & embroidered goods, plastic goods, aluminium & its products, brass & copper goods, wooden articles, glasswares, porcelain wares, crockery, rubber goods, packing materials, straw boards, card boards, paper products, handicrafts, oils, cakes, confectionery, soaps, lubricants, chemicals, minerals pharmaceuticals perfumes, tobacco, carpets, furnitures, clocks, luggage articles, sports goods, footwears, utensils, fancy goods, stationery & office equipments, fruits & vegetables (dry, fresh & canned), sanitary goods, leather goods, hides & skins, live-stocks, fish & other sea foods, jams, spices and all kinds of other commodities & goods, which are covered under clause 3 (8) of the Memorandum of Association of the Company.

By Order of the Board
V. N. Poddar
Secretary

Dated, the 10th July, 1974
Regd. & Head Office:
Surya Kiran, 5th Floor,
19 Kasturba Gandhi Marg,
New Delhi-110001.

NOTES : 1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Member.
2. The proxy should be deposited at the Registered Office of the Company not less than FORTYEIGHT hours before the time of the meeting.
3. The Explanatory Statement as required by Section 173 of the Companies Act, 1956 is being forwarded to the respective shareholders alongwith this notice.

cularly in areas where the facilities were inadequate within the country. He has emphasized particularly the work of the Training Divisions set up at Jamshedpur and Poona in establishing a growing reservoir of high-grade technical skills, the large investments made by the company in research and development which has promoted self-reliance in design and manufacture and the substantial progress made in import substitution.

Speaking of the company's future plans Mr Moolgaokar has pledged TECLO to the continuing task of making vehicles of better quality — vehicles that perform better, take longer to depreciate and have higher re-sale value. Early next year the company will be introducing a new and vastly improved semi-forward truck model which it has already tooled up fully at its Poona factory. With a view to reducing fuel consumption the company equipped its vehicles about two years ago with a direct injection engine which provides a saving of up to 15 per cent in fuel. There are 40,000 of these vehicles on the road now and intensive efforts are being made at the company's engineering research centre to improve further the fuel utilization of this engine. As for the company's expansion programme, the new fully automated foundry at Poona is expected to be ready early next year and work on the Poona complex as a whole is in full swing and prototypes of the various aggregates and the new vehicles to be produced at Poona will be ready for evaluation trials early next year.

Mr Moolgaokar takes a positive view of the demand prospects for commercial vehicles. In his view the oil shortage is unlikely to affect the sales of the company's products for the simple reason that trucks are essential for economic activity and for defence. As a matter of fact, there are waiting lists of thousands of customers while the export outlook is also encouraging. TELCO is the largest exporter of commercial vehicles in this country, accounting as it does for 86 per cent of the total exports. While welcoming the importance given to the development of road transport and the automobile industry in the draft fifth Plan, Mr Moolgaokar doubts that the industry could meet its targets of investment or output without a major change in the price controls imposed on it. He is particularly critical of the condition imposed by the government that vehicle prices should not be increased more than once a year or in excess of 7½ per cent of the existing prices without the prior approval of the government. He believes that such controls cannot be worked in the present inflationary conditions without the financial resources or the financial planning of the company being put to severe strain. As it is, while the price of the company's representative model has gone up by Rs 10,958 since April 1973, not a single rupee from this increase has been available for improving its earnings since as much as Rs 6,193 accounted for by increases in the cost of raw materials and ancillary components (including the increases in price of tyres) and the remaining Rs 4,765 by increases in excise duty and sales tax. Emphasizing the company's record on price discipline, the chairman pleads that "it is essential that the stipulation that our price increases cannot be made more than once a year and cannot exceed 7½ per cent without government's prior approval be removed."

News and Notes

Hindustan Petroleum Corporation is the name of the new avatar of *Esso Standard Refining company of India Limited* and *Lube India Limited*, which have now come under effective public control with the government having acquired 74 per cent of their ownership. The disappearance of the familiar and important landmark, *Esso*, from the nation's economic scene was marked by the inauguration of the new company in Bombay on July 15 by Mr D.K. Barooah, union minister for Petroleum and Chemicals. The minister disclosed on this occasion that the other two international oil companies, Burmah-Shell and Caltex would also be taken over "before long". Mr S. Krishnaswami, chairman of *Hindustan Petroleum Corporation*, pointed out that the company had large unutilized capacity, particularly in the manufacturing area. There was also scope for expanding the refineries at a marginal cost. The capacity of the fuels refinery at Trombay is 3.5 million tonnes. The lubricating oil refinery is designed to produce 164,000 metric tons per year of lube oil base stocks. Studies on the feasibility of increasing the capacity of the fuels refinery to six million tonnes and of the lubricating oil refinery to 250,000 tonnes per year of lube oil base stocks are in progress.

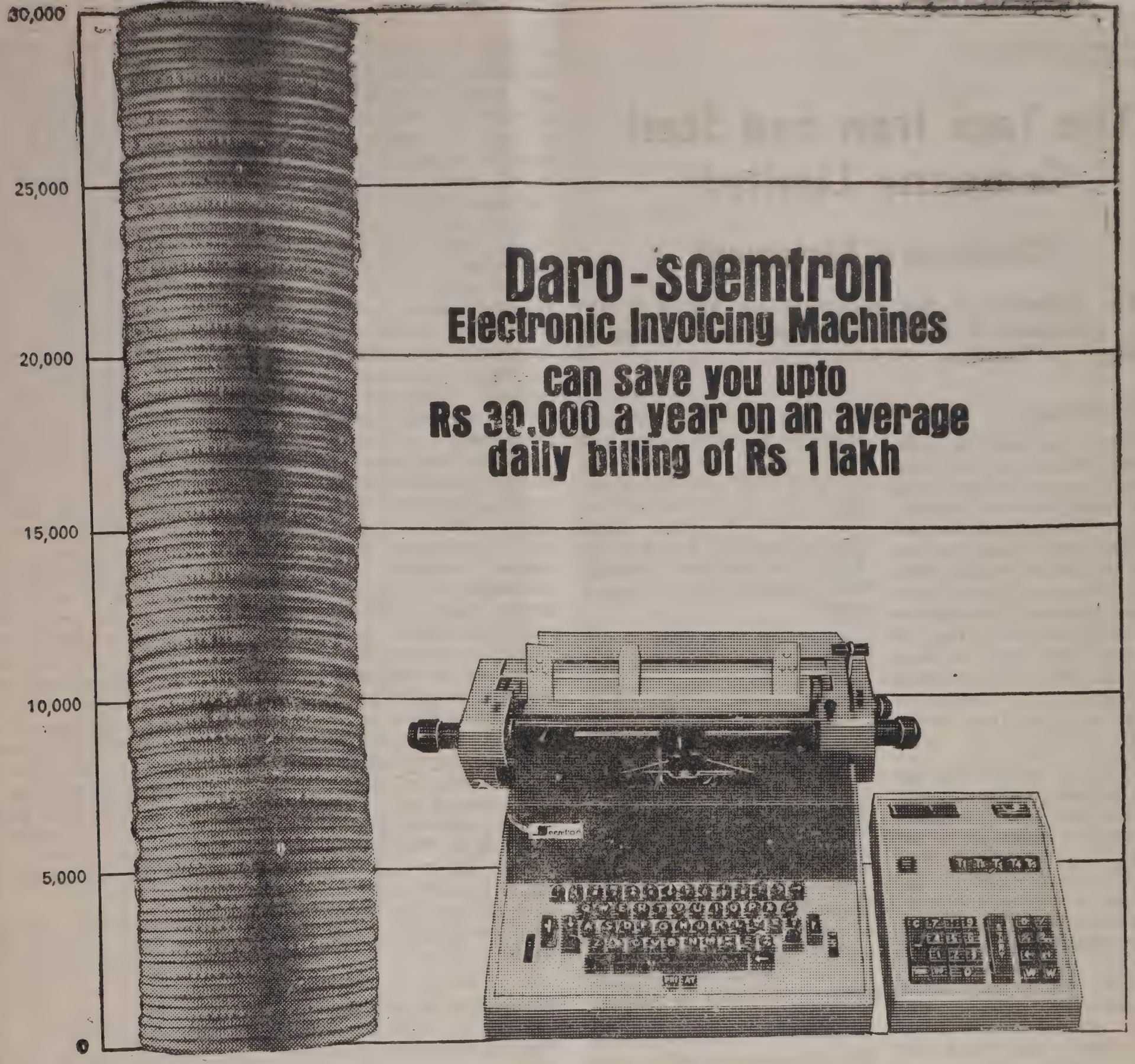
Tata Chemicals Limited has reported substantial improvement in turnover for the year ended June 30, 1974. According to preliminary figures there has been a gain of 25.8 per cent in sales at Rs 21.58 crores as against Rs 17.15 crores in the previous year. The output of soda ash, a major product of the company, rose by 5.2 per cent from 245,000 tonnes to 257,000 tonnes.

Bharat Commerce and Industries Limited will be holding an extraordinary general meeting of the shareholders on August 19 to consider a special resolution permitting the company to commence the business of purchasing, selling and exporting machinery and equipment, fibres of all kinds, *zari* and embroidered goods, sanitary goods, seafood, and other commodities and manufactured goods for which there are good export prospects. The directors are of the view that the company has sufficient resources and manpower to exploit opportunities in these directions profitably.

Philips India Limited is awaiting New Delhi's approval of its export-oriented proposals. Accoring to Mr S. Pandit, marketing director of the company, the project would cover five schemes involving an investment of a little over Rs one crore on machinery and equipment, part of which will have to be imported. Four out of these five proposals will be directed wholly towards exports while the commitment in the case of the fifth will be that 75 per cent of the output will be exported. The range of products covered by these schemes include variable gang capacitors, carbon resistors, voltage level indicators loud speakers and intercom apparatus. The company is also working on yet another export--oriented proposal to be submitted to the government by the end of this year. This scheme will cover fluorescent powder, public address system, electrical multimeters, etc.

New Issues

Traco Carbide Limited will be entering the capital market on July 29 with a public issue of 858,000 equity shares of Rs 10 each at par. The subscription list will open on July 29 and will close on August 8 or earlier but not before July 31. The company proposes to manufacture 14,850 tonnes of calcium carbide annually. This chemical is an important raw material for industry and according to Mr D. Haldar, managing director of the company, calcium carbide is in short supply and is likely to continue to be so. The company therefore expects that there will be no difficulty in marketing its output at remunerative prices when it goes into commercial production in 1975. Referring to the dividend restraint ordinance in connection with dividend prospects for the company, Mr Haldar said that it should be able to pay a dividend at lest 10 per cent in 1976, the first full year of its production, since the board's conservative estimate was that there would be a profit margin of about 25 per cent in this business. Being in a backward area, the company, moreover, will be entitled to government subsidy and tax benefits.



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The Tata Iron and Steel Company Limited

Chairman's Statement

The following is the statement of Mr J. R. D. Tata, Chairman of the Tata Iron and Steel Company Limited, for the year 1973-74

A year of Crisis

From the production point of view, the past year has been perhaps the most difficult year in the history of the Company, for never before have we had to close down parts of our plant or curtail output continuously because of lack of coal and shortage and interruptions in electric power. In fact, in February this year, we were more than once on the verge of total closure in order to protect our plant from damage.

2. These serious obstructions to sustained production have not been our lot alone. Practically all industries in the country have suffered from them at a heavy cost to our hard-pressed economy. Already burdened with a runaway inflation, massive shortages, the oil crisis, and other grievous problems, the country could well have done without this added man-made affliction which has aggravated the severity of all the other factors. Man-made it clearly was, for, although none of all the basic inputs of industry are more vital to production than the availability of raw materials, fuel, electric power and transport, these are the very items the supply of which Government failed to ensure after twenty years of all-embracing planning and economic controls.

3. These were not the only industrial inputs from the dearth of which industry and the whole economy have suffered in the past year. Steel, cement, soda ash, amongst others, were all in short supply, due largely to the primary shortages in coal, power and rail transport. As was to be expected, these multiple shortages added further fuel to the fires of inflation already more than sufficiently fed by massive deficit financing and country-wide shortages in consumer goods.

4. To err is certainly human and one would not feel so critical about these failures were it not that the advice, pleas and warnings, offered and submitted year after year by leaders of business and industry regarding the consequences of Government's economic policies, were consistently ignored or rejected.

5. In India, partly for ideological reasons, partly for a lack of trust in the private sector and, perhaps, partly, also for reasons of misplaced prestige, the views of industry have been, and are, consistently ignored or rejected whenever they differ from the official view which means most of the time. The few formalised consultative forums like the Central Advisory Council of Industries and annual meetings of Chambers of Commerce are generally treated as futile occasions for making, or listening to, set speeches, while Chairmen's annual statements, although usually well reasoned and documented, are wholly ignored.

The High Price of Unrealism

6. We all realise that the task of promoting a rapid rate of economic growth, with social justice, is an immensely complex one with controversial overtones in which there is, therefore, much room for divergent views, particularly where ideological considerations are allowed to impinge unduly upon the subject as they do in India. We also know that there can be no simple solutions to difficult human problems. But, in their urge to nationalise or control all economic activity, Government and Parliament still fail to face certain obvious realities, including such simple ones as that there can be no real social justice in a country like ours without economic growth for, today there is only poverty to distribute; that industrial production cannot rise without an increased supply of raw materials, electric power and transport; that these cannot be ensured without adequate investment years in advance of needs; that a high level of production cannot be obtained solely by expending large sums of money on physical assets which, as so often happens in India, break down or operate at a fraction of their capacity unless backed by high standrds of maintenance, managerial skills, training and experience and by a reasonable degree of discipline in industry. Most of these simple and obvious facts have been widely neglected in the past the consequences of which are at the very root of the present crisis.

7. Is there any doubt, for instance, that most of the infrastructural shortages which are crippling industrial production today are largely due to a dearth of investment in recent years on railway wagons and other essential needs, to poor maintenance and management, to labour disputes? Is it not true that, if instead of the 50% average utilisation of thermal generating units achieved in India today they were operated at the level of 80% to 85% achieved throughout the world including, I am glad to say, by the Tata Thermal Plant at Trombay, much of the overall power shortage from which the country suffers today would disappear overnight?

A New Dawn ?

8. Paraphrasing the well known adage, Night is supposed to be darkest before the Dawn. Two recent developments arouse hope that a new economic dawn may be breaking. The first one is Government's newly evinced determination that a minimum degree of peace and discipline be maintained in industry. While the workers' right to a fair deal, whether employed by Government or by the public or private sectors of industry, is undoubted and must be respected, their claims can no longer be judged in isolation from the claims of the far greater number of the country's under-privileged citizens, whose needs are even greater than theirs, nor in total disregard of available resources. In the dire straits in which our economy finds itself today, an irresponsible exercise of the immense economic power trade unions have acquired since Independence, largely used for political end, can no longer be allowed repeatedly to disrupt production and transport and hold the country to ransom. It may now be hoped that, following such determination to keep production going, the country has entered upon a new era of increased production and productivity.

9. The business and Industrial community should, however, realise that any restraint imposed on or voluntarily accepted by labour in regard to wage demands and work interruptions places an even greater obligation on them to exercise similar restraint and discipline in regard to the pricing and distribution of their products, a restraint which today is too often conspicuous by its absence.

A Welcome Break from the Past

10. The other development which directly concerns the steel industry, is Government's new approach to the pricing of steel. Every year, for the last 25 years or more, I have argued and pleaded that Government's price fixing policies should be such as to ensure, in the country's own interests, the continued health of this most basic of all manufacturing

lustries. Yet, year after year, vernment have continued fix steel prices at levels much ow those earned by steel oducers elsewhere in the rld, thereby denying to the lian Industry the minimum ancial means required to ep its plants in good condi-n, let alone to expand their pacity. Upto October 73, Government allowed the llustry, usually with a costly ne lag, only increases in pri-s sufficient to compensate it, t always in full, for increases costs beyond its control. e basic price structure, how-er, which compelled the main oducers to sell their steels at ices far below those at which ey could be imported, re-ained largely unchanged.

11. The argument some-nes advanced in the past that e Indian consumer was en-led to some return for the crifices he had made in pay-g higher prices during the riod of production from 23 to 1939, was wholly ecious, for it conveniently nored the fact that the sum tal of these sacrifices was less an Rs. 11 crores spread over xteen years, whereas the nount by which the industry both sectors was made to bsidise the consumer in sub-quent years has come to the rmidable total of over Rs. 400 crores, of which no less an Rs. 1,565 crores were ntributed by our Company one!

12. Apart from being gros-unfair to the industry, this olicy was thoroughly unsound cause, in the resulting scar-ty of steel which prevailed ost of the time in the country e main beneficiaries of the w prices allowed to the pro-ucers were the black-markete-s, while the industry, depri-d of adequate resources, agnated to the country's triment.

13. With effect from 15th ctober 1973, Government ve taken an important step wards a more rational and ir steel pricing policy. While taining the old formula in spect of plates, structurals d Railway materials, they ve increased the prices of certain categories of steel to levels which, while still substantially below foreign prices, allow the industry a badly needed accretion to the resources it can devote to replacement and modernisation. The results of this change in Government's policy are reflected in the accounts for the year.

14. Unfortunately the unchecked inflation which continued to stalk our economy has already eroded much of the increase granted in October, still, the new policy provides at long last a welcome indication of a more realistic approach at least in regard to steel, to the question of price controls, and I would like to take this opportunity to express to Government our gratitude for their courageous decision. I can only hope that this new approach represents a permanent change in Government's thinking and that it will be extended, in due course, to other industries, such as cement, which have suffered for years in the same way as we have from the unrealistic policies of the past.

15. One feature of the new price policy, which shareholders will perhaps have noted with concern, is the condition imposed by Government that the excess of the new prices over the retention prices is to be used exclusively towards financing schemes of modernisation and development, none of it, therefore, being available for any increase in dividends. I am sure, however, that they will appreciate that, by enabling the plant to be modernised and made more efficient, the new policy is in their own long-term interests as well as those of the country as a whole.

Expansion Project

16. As indicated in the Directors' Report, the Nippon Steel Company's Report for a large-scale expansion of steel capacity at Jamshedpur has been received. Their proposal based on the technical aspects of the project, is for the construction of new capacity for producing three million tonnes of raw steel to be rolled into about 2½ million tonnes of flat products. Such an expansion would be 50% larger than that originally contemplated, and would bring the total capacity at Jamshedpur to about 5 million tonnes of raw steel or 2½ times the present capacity.

17. Unfortunately, the cost of the project is a correspondingly formidable one, estimated at about Rs. 1,800 crores, including the cost of development of our ore mines and collieries, power generating capacity, and a large raw material bedding and blending yard at Jamshedpur.

18. The estimate, so far as the plant itself is concerned, it based on Japanese costs which, oddly enough, are today higher than in the U.S.A or Europe. In view, however, of the continuing world inflation, combined with the fact that such a large project would take some four years to complete, the cost is not likely to be substantially lower than the figure mentioned unless the scope of the scheme itself is curtailed.

19. In the face of such an astronomical financial requirement, shareholders may wonder what role their Company can play in the project. There is no answer to such a question at this stage. It is obvious, however, that the project is far too big for the Company to tackle alone and that Government and/or other institutional finance would have to bear the major part, if not the whole, of the burden.

20. Such a project cannot be considered in isolation, but must be viewed as part of the expansion of the Indian steel industy as a whole. That the industry must be expanded to meet growing demands is, of course, clear, but where, how and at what rate are complex problems which, ultimately, can only be resolved by Government in the context of the total economic development of the country and the constraints of available resources. An admittedly difficult problem of priorities arises here, for steel is only one of the many infrastructural needs in short supply today.

Infrastructural Needs

21. The fact must also be borne in mind that steel capacity cannot be expanded by itself. Along with it, must also be expanded sources of raw materials, electric power, rail transport, engineering products of all kinds, and, equally important, the human inputs required to engineer, build, manage, and efficiently operate them. As things are today most of these are in such short supply, that even the relatively low existing steel making capacity of the country cannot be fully utilised.

22. An indication of the magnitude of some of these requirements, especially significant in the light of the present situation, is that at least six tonnes of materials, including the finished steel itself, have to be moved in and out of a steel plant for every tonne of finished steel produced.

23. I sincerely hope, therefore, and would earnestly urge that, in considering the overall problem of expanding the country's steel capacity, Government will attach the full importance it deserves to the need for ensuring that the growth of all the required physical and human inputs of steel making keeps pace with the expansion of the steel making capacity itself. Few industries, if any, are more capital intensive than steel making, and India just cannot afford to spend vast sums on projects and then find that they can only be operated at a fraction of capacity because of inadequate raw materials, power or rail transport.

24. To revert to the Jamshedpur project and to the Steel Company's possible role in it, all I can say at this stage is that we have offered to Government our full co-operation in the national interest, with due regard to the legitimate interests of the shareholder. It may be of some reassurance to them to know that by far the lagrgest amongst our shareholders are

the Government financial institutions, which have made large investments in the Company out of funds belonging to millions of small policy holders and investors whose interests, which coincide with those of the thousands of our own shareholders, they will presumably do their best to protect.

Our Modernisation Programme

25. The exciting prospect of participating in the engineering construction and operation of a new and large steel plant at Jamshedpur is not being allowed to divert our and our Engineers' attention from the need to bring and maintain the present Works to the highest possible level of efficiency. We are therefore taking further steps to strengthen our engineering organisation, including its design capabilities, and to add to our ability to manufacture and fabricate scarce replacement items of plant and equipment, some of them of a sophisticated nature. It is not sufficiently realised in India how essential such activities are to the maintenance and development of any large factory or plant in a developing country lacking a strong design-cum-manufacturing infrastructure. The fact that it is sadly neglected in India explains much of the low plant utilisation and general stagnation prevailing in so many of our industries.

26. Because of the inadequacy in the past of internally generated funds to plough back into the rehabilitation and modernisation of our plant, some units of which are over fifty years old, there is now a vital need for us to undertake a large programme of renovation and improvement if the plant is to be able to operate at full capacity, when coal, power and rail transport become fully available again.

27. The new pricing policy of Government, to which I have referred earlier, and the resulting accretions to the modernisation and development fund make possible at long last a higher tempo of expenditure on renovation. Had we not been starved of funds all these years, the plant would be a more modern and efficient one today, and probably a larger one too, to the great benefit of the country.

28. We have, therefore, embarked upon a five year capital expenditure programme at an estimated cost of about Rs. 180 crores, of which a substantial part will be spent on our coal mines in order to make ourselves self-sufficient in our requirements of high grade coking coal.

Self-Sufficiency in Coal

29. In view of the serious coal shortage which has recently developed and because of the much larger future requirements of the growing steel industry, it is now imperative that we should as soon as possible draw all our requirements from our own coal mines, the large scale development of which will be all the more necessary if and when the three million tonne expansion project materialises.

30. Such a mine development programme was not undertaken earlier, partly because of a lack of funds, but also largely, as stated in last year's Directors' Report, because of the inordinate delay, first, in getting Government's approval to our obtaining technical advice from France where coal seams and, therefore, mining conditions are similar to India's, and later in obtaining an industrial licence and the necessary import licences. This, incidentally, is another case of the industrial licensing system being, in my view, wrongly applied. I would urge Government to exempt from the obligation to secure industrial licences, projects for mining raw materials or manufacturing products required only for captive use and not for sale. It is a strange fact that in our counntry, in which there is such an obvious need for maximum production and rapid industrial growth, the licensing system is so often applied in a way which not only delays and slows down growth, but also seeks to punish those who produce too much rather than those who produce too little.

31. The years ahead will continue to be difficult ones for us, as I fear they will for the country as a whole, but the deep economic crisis in which we have been floundering, climaxed by a terrifying rate of inflation, seems to have aroused a new and refreshing sense of realism in Government quarters. Although still only a gentle breeze, the beginnings of the winds of change can be felt in the air and because of it I, for one, feel greater confidence in the future than before. One thing at least of which I am sure is that our Company will rise to any challenge and will, with efficiency and dedication, continue to play its role in the economic recovery and future progress of the country.

32. On the retirement of Mr R. S. Pande, appreciation of whose services has been recorded in the Directors' Report, the burden of top management responsibility has fallen from the 9th April 1974 on the broad shoulders of Mr Russi Mody after 34 years of distinguished service with the Company. Able and energetic, Mr Mody has shown qualities of leadership, a consciousness of the importance of high morale at all levels and the need to pass on reponsibility and initiative down the line, all of which, will I am sure, stand him in good stead in leading the organisation.

33. Since the last Annual General Meeting, the Board of Directors has taken on a new look with the appintment of three Institutional and three Executive Members. I am sure the shareholders will welcome this change which is in keeping with evolving circumstances and modern managerial trends.

34. As usual, I am happy to close my remarks with an appreciative reference to our management, staff and workers at Jamshedpur and elsewhere. Rarely in the whole of our long history have they had to function under such grievous handicaps and with so many obstacles to surmount as in the past year. They rose to the occasion magnificently and our unstinted thanks are due to them. The sense of pride in Tata Steel, the independence of spirit and judgement and the hard realism displayed year after year by our workers and staffhave made Jamshedpur an oasis of industrial peace and discipline unique in our country torn by recurrent industrial strife. This perhaps, is our greatest assest for which we and the whole country may indeed be thankful.

Sd. J.R.D. TATA
Chairman.

Bombay, 3rd July, 1974.

Eastern Economist

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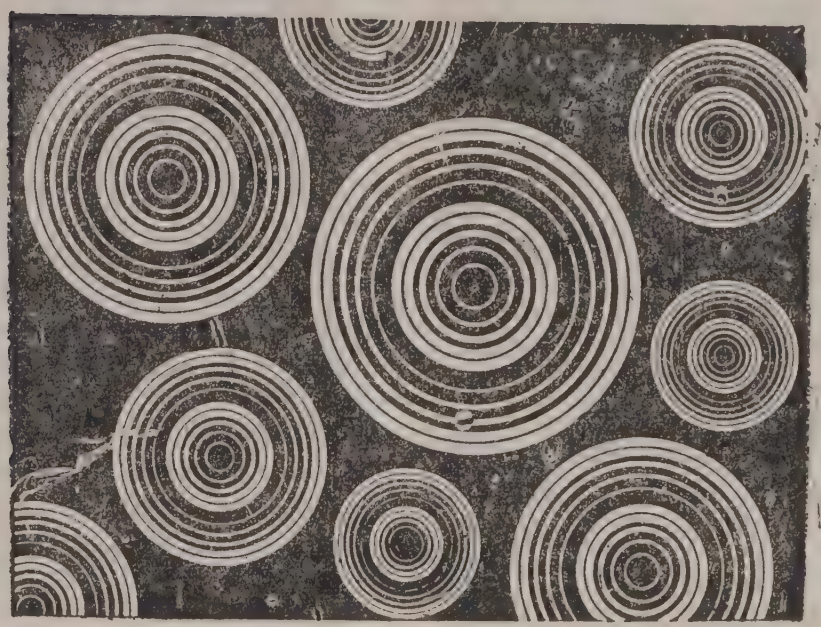
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Tata Engineering And Locomotive Co. Ltd.

Following is the Statement for 1973-74 of Mr S. Moolgaokar, Chairman, Tata Engineering & Locomotive Co. Ltd.

The financial year ending March 1974 was a year with an abundant share of problems for the Automobile industry. In challenging conditions, your Company produced 780 vehicles more than in the previous year, maintained its profitability, and vigorously forged ahead with its expansion plans.

Operating Problems

2. The challenges arose out of a host of problems faced by the Company during the period under review. Most of these stemmed from weaknesses in the country's economic infrastructure. Every industry was confronted with shortages of power and materials, the impact of the oil crisis, transport dislocations, mounting inflation and the credit squeeze. Industries like ours, which obtain their inputs from various industries had to bear the cumulative effect of all this.

3. Power shortage was a major problem which interfered with our production and disrupted the flow of materials from suppliers. Shortages of alloy, carbon and spring steels, tyres, wheel rims, clutch and brake parts, bimetal bearings, shock absorbers, pistons and many other items threatened to bring the assembly line to a standstill on more than one occasion.

4. Disruptions elsewhere in the world also affected our operations. For example, when the U.K. went on a three-day week, the availability of special rolled steel sections required by the indigenous wheel rim suppliers was so drastically reduced that we had to roll out almost half the production during the past four months with only four wheels per vehicle. Many of our ancillary suppliers faced stock-outs of imported materials and parts when the oil shortage adversely affected the availability of shipping facilities.

5. During the year, prices of all commodities soared, and we were forced to accept substantial price increases by most suppliers. The availability of working capital was restricted following the credit squeeze suddenly imposed by the banks, and this necessitated a major exercise in financial re-planning. To make matters worse, our own prices could not be increased to compensate for rising costs, and we had to work literally in a strait-jacket.

The Challenge

6. But problems constitute a challenge—to be overcome by action, not to be explained away. Considering the difficulties which the Company had to face in the past year, the performance was satisfactory. I would venture to say that this was made possible largely by our efforts at developing in Telco a team that never looks for excuses—a team capable of meeting every situation dynamically, a team at all times capable of directing its energy to solving problems. It is our belief that such a team is essential if an organisation is to grow within the constraints of a developing economy.

7. Your Management has confronted the challenge of growth in a developing economy by building up the Company's infrastructure, particularly in areas where facilities have been inadequate within the country. Through the Training Divisions set up at Jamshedpur and Poona, the Company has assured itself of an ever growing reservoir of high-grade technical skills, so necessary for the manufacture of a quality product. Enormous efforts and large sums have been invested to achieve self-reliance in the design and manufacture of the Company's products. In the Automobile Industry, Telco is by far the biggest investor in research and development, and the expertise that we have now built up provides us with the capability to design sophisticated engineering products which is enabling us to undertake our current major expansion entirely on our own. Each year, our Research and Development Sections help us to make vehicles of better quality—vehicles that perform better, take longer to depreciate, and give our customers higher re-sale value. These qualitative improvements above all help us to sustain our position in the export markets. Today, we are the largest exporters of commercial vehicles in the country: during the year under review, we exported 86 per cent of the country's total vehicle exports.

8. In a major attempt at import substitution, we have painstakingly fostered the varied design skills required for the production of complicated press tools and special purpose machines. Progressively more and more of our requirements for sophisticated special purpose machines, intricate press tools, metal patterns, dies and fixtures will be met from within the Company. Early next year, we shall be introducing a new semi-forward truck model which we have already tooled up fully at Poona. This model will have a number of important advantages over our present model: a more durable engine and gear box, additional loading space, more comfort and better visibility for the driver.

Price Control

9. You will appreciate that it would not be possible for any company to direct its managerial and financial resources towards such pioneering activities unless its financial strength is sustained. Recent decisions of Government affecting pricing can have a direct bearing on the Company's performance and rate of growth, and I would like to dwell on this subject at some length.

10. In April 1973, Government controlled our selling prices, and the Company had perforce to work under severe constraints throughout the past year. I have already mentioned how we were sandwiched between production interruptions due to power and other shortages on the one hand and increasing costs due to soaring prices on the other. We furnished exhaustive facts and figures to Government to justify a price increase, a decision on which was deferred pending completion of a detailed investigation into our cost structure. After a prolonged study by the Bureau of Industrial Costs and Prices and the Ministry of Heavy Industry lasting over a year, Government came to the conclusion that our prices had been fair and reasonable, and that our request for a price increase was fully justified. While permitting a 7½ per cent increase in vehicle prices as from the 15th of May 1974, Government stipulated, however, that future increases more than once a year or exceeding 7½ per cent of the existing price would require their prior approval. In an inflationary economy like ours, such controls can have disastrous effects and, naturally, we are disappointed that these constraints on pricing have been imposed.

11. Last year, the improvement in our profitability, despite the price control, was due to the increase in production and the reduction in interest charges brought about by better financial and materials management. While we are constantly striving towards higher productivity, it will not be possible for us to continue to absorb the inexorable cost increases taking place.

12. Our contention has consistently been that industry must have the freedom to determine its own prices. Freedom is not licence, and the-

efore we agreed to limit our eturn on capital employed nrough self-discipline. We also greed that pricing could be ased on 90 per cent plant tilisation—in itself an ambitious target in today's conditions with shortages of power nd raw materials aggravated y factors such as inadequate ailway facilities and unrest n different parts of the country. Even without these handicaps, fficient foreign manufacturers ind it difficult to operate their lants at this level! The guidelnes for pricing suggested by us would have offered the ehicle manufacturers a worthwhile managerial challenge o secure maximum productivty, reduction in cost and ome plough back of earnings or sustaining research activities and maintaining the health of ageing plant; at the same time, the customer would be assured of a fair deal. As manufacturers of commercial vehicles, we are at the end of a chain; it is finally our product that must bear the full impact of all preceding increases in the costs of raw materials and ancillary parts. When prices of all our inputs are incessantly increasing at a much higher rate, there can hardly be a case for imposition of an arbitrary limit of 7½ per cent on our annual price increases. There is no restriction whatsoever on the prices of goods we have to purchase from outside sources whether they be raw materials from public sector steel plants or components from ancillary suppliers. Unless these factors, totally beyond our control, are checked at a national level, it is hardly fair to control the prices of our vehicles.

13. The ravages of inflation provide joy to none of us and we all yearn for the time when greater stability will be introduced in our economy. No price increase that we make can benefit us under today's conditions; we are not even recovering fully the cost increases over which we can have no control whatsoever. As an example, since April 1973, the price of our representative model has gone up by Rs. 10,958. Out of this, Rs. 4,299 covers increases in the cost of raw materials and ancillary components, Rs. 1,894 covers increase in the price of tyres (since the decontrol of tyres, the price increase on this account alone has been as high as 40 per cent), Rs 3,548 is accounted for by increase in excise duty and Rs. 1,217 represents increase in sales tax. Telco did not benefit by a single rupee; on the contrary, we are left with the problem of absorbing labour and other cost increases which confront us continuously.

14. The rapid growth of the Automobile Division of the C ompany, desipte the poor industrial and ancillary base that existed at the time of its inception twenty years ago, has benefited not only the Company but the country as a whole. It has led to development of a network of ancillaries, substantial direct and indirect employment, large contributions to the Exchequer and export earnings of a high order. Above all, it has helped to meet the acute need in our country for quality commercial vehicles. I do feel that the fairest treatment to accord to this important and complex industry is to adopt the guideline that there should be a fair and equitable return on capital employed, linked to high capacity utilisation. Our record on price discipline surely merits this limited freedom of action. It is essential that the stipulation that our price increases cannot be made more than once a year and cannot exceed 7½ per cent, without Goverement's prior approval, be removed. Otherwise, our profitability is bound to decline as costs are escalating at far greater rates. Government have been quite pragmatic while dealing with our industry in the past; this has helped the industry to progress and grow. In view of the vital role the industry plays in national development. I am hopeful that Government will re-consider their decision in this important matter.

Plan Targets

15. The importance of our industry has been appreciated by the Draft Fifth Five Year Plan which views the rapid development of road transport as an essential component of the "Minimun Needs Programme" to be implemented during the Plan Period. The schemes of development of the backward and under-developed regions, and indeed of increased agricultural production, can have no meaning till road transport is developed as an infrastructural facility. We welcome the proposal that allocations to road transport, in money terms, will be 2½ times higher than in the Fourth Plan.

16. The Plan also visualises that the annual production by 1978-79 will be 110,000 commercial vehicles—the industry is expected to more than double its present output. However, with ad hoc decisions such as the 7½ per cent per annum constraint on pricing in a hyper-inflationary situation, there is no hope of this target being achieved. Such arbitrary decisions, by depriving the industry of the minimum resources it needs, will impair its ability to grow even marginally, let alone reach the target of 110,000. The resultant loss to the nation will be staggering, while the cost of accepting the industry's plea for freedom with self-discipline through a ceiling on the return on capital employed is negligible, Unless Government stop taking decsions contradictory to the longterm goals sought to be reached, national planning will only be an empty exercise.

Expansion

17. Our own major expansion, which is a source of excitement to all of us is proceeding according to schedule. The new fully automated foundry at Poona is expected to be ready early next year. Construction work at our Poona Complex is in full swing and a major portion of our requirements of indigenous and imported machine tools have been ordered. Precautions have been taken to ensure adequate capacity for the production of spare parts which at the moment are in extremely short supply. Prototypes of the various aggregates and the new vehicles to be produced at Poona will be ready for evaluation trials early next year.

18. You will be anxious to know whether the oil shortage is likely to affect the demand for our products and whether it has any implications on our expansion. Our own projections clearly reveal that increasing dependence on road transport for the movement of goods and passenger traffic is inescapable in our country. It needs to be more widely known that even when our Railways are functioning normally, over 40 per cent of the goods traffic and over 50 per cent of the passenger traffic moves by road. Trucks are essential for the economic growth of our country, and for Defence. Government have therefore, ensured maximum production of middle distillates like high speed diesel required in the operation of commercial vehicles and the price of diesel has been kept as low as possible. The demand for our vehicles continues unabated and there are waiting lists of thousands of customers. The ever increasing demand for our vehicles can only be met by completing our expansion programme as rapidly as possible and at the same time maintaining our existing capacity in good health.

Energy Crisis

19- As commercial vehicles account for about 75 per cent of the consumption of high speed diesel in the country, your Company has always considered it a duty, as a corporate citizen to ensure optimum utilisation of this scarce and valuable commodity. As you know, a direct injection engine which provides up to 15 per cent reduction in fuel consumption was introduced on our vehicles about two years ago. There are now on the road 40,000 Tata vehicles powered by this engine and more are being added every month. We estimate that these 40,000 vehicles have brought about lower diesel consumption of the order of 100,000 kilolitres each year. Intensive efforts continue at our Engineering Research Centre to improv

urther the fuel consumption of is engine.

20. In view of the oil crisis, a ompaign was launched in April 974 to provide free service heckups to Tata vehicles all ver the country. Apart from necking all defects, tuning the ngine and even arranging ith MICO, our suppliers, to e-calibrate the fuel injection quipment, if necessary, we anifested to each operator ow adherence to the stipulated aintenance instructions and orrect driving ensures 5 per cent fuel savings and longer vehicle life. As our customers response has been most satisfying, we intend to repeat the campaign periodically.

The Future

21. Despite all the vicissitudes of the past year and gloomy projections made by many for the future, we are determined to maintain our progress to implement our expansion in good time and to continue to find avenues of growth. Given the limited freedom of action for which I have pleaded earlier and with some improvement in the country's infrastructure, our contribution to the nation could be much greater. Your Company has a well-defined growth plan and a strong organisation capable of implementing it aggressively.

22. Whilst 1973-74 was a difficult year, the dedicated work of our loyal employees, the cooperation of our dealers, the understanding of our suppliers, and the confidence of our customers as well as shareholders were continuing sources of inspiration to Management. It is a very real pleasure for me to take this annual opportunity of saying *Thank You* to all those who with their ideas, energy and hard work have overcome difficulties and obstacles to contribute to the year's results.

S. Moolgaokar
Chairman

Bombay, 28th June 1974.

This does not purport to be a record of the proceedings of the Annual General Meeting.

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RECOR AND STATISTICS

Power generation capacity & utilisation

IN A NOTE circulated to the Consultative Committee of Parliament attached to the union ministry of Irrigation and Power, the ministry has listed the steps that have been taken in the recent past to maximise generation from the existing power plants. The note also provides a good deal of plant-wise data about the utilisation of the present installed capacity—thermal as well as hydro. Reproduced below is the full text of this note,

Table I shows the installed capacity, firm energy potential and actual generation from hydro and thermal stations in the country during the year 1973-74. The power generation from hydro-electric plants varies from year to year depending on the availability of water and the projects are usually designed on the basis of water availability for 90 per cent of the time. In so far as hydro plants are concerned, there are no serious problems except in Sharavathy, Rihand and Machkund stations where the actual generation has been less than the designed potential due to poor inflows.

The capacity of a thermal plant is determined by a number of factors, such as the need for annual maintenance of boilers, uniformity in load conditions, forced outages, etc. From thermal stations operating in an inter-connected system, generation to the extent of 4500 GWH per kw may not be considered as low though efforts must continue to step up this figure. Table II, which gives the installed capacity, firm energy capability and actual generation from the major thermal stations above 10 MW capacity, reveals that the performance of some of the thermal power stations has not been satisfactory during 1973-74. There are various causes for reduced generation in thermal power stations such as poor quality of coal, deration of the plant, non-availability or delays in procurement of spares, frequent outages, etc.

The following steps have been taken to maximise generation from the existing plants:

(i) As regards the spares, M/S BHEL have already set up a spares and service division and it has been proposed that this division should maintain a common pool of spare parts for the imported units which are already in operation in the country. The state electricity boards have been advised to furnish the requirements of spares for the next five years. The idea is that the fast moving spares should be stored by the respective power station authorities and the slow moving parts should be kept with the central pool.

(ii) In order to ensure adequate quantity of coal to the thermal power stations, a control room has been set up in the ministry of Railways with representatives of the ministry of Steel and Mines and the ministry of Irrigation and Power. Similarly, to ensure proper quality of coal, steps have been taken to ensure that middlings from three-stage washeries are supplied to the power plants and the existing two-stage washeries be converted into three-stage washeries, for this purpose.

(iii) The Central Water and

TABLE I

Hydro-Electric Projects

Station	Installed capacity (MW)	Designed firm energy potential GWh/ Annual	Actual annual energy production (GWh) 1973-74
Andhra Pradesh			
Machkund (3x21+3x17)	114	735	561
Upper Sileru (2x60)	120	386	449
Kerala			
Pallivasal (3x7.5+3x5)	38	285	161
Sengulam (4x12)	48	182	166
Panniar (2x15)	30	148	70
Neriamangalam (3x15)	45	239	259
Sholayar (3x18)	54	233	247
Sabirigiri (6x50)	300	1160	1220
Madhya Pradesh			
Gandhisagar (5x23)	115	366	506
Ranapratapsagar (4x43)	172	500	584
Jawaharsagar (3x33) @	99	316	394
Maharashtra			
Tata Hydro (6x22+12x12)	276	1350	1348
Koyna (4x60+4x75)	540	2150	3864
Karnataka			
Siva & Shimsha (4x6+6x3)(2x8+1x1)	59	272	218
Jog (4x18+4x12)	120	4400	4215
Sharavathi (8x89.1)	713		
Orissa			
Hirakud I & II (5x24+4x37.5)	270	1055	1050
Punjab			
Bhakra-Nangal (5x90+5x120+4x24+2x19)	1204	3554	5804
Jogindernagar (4x12)	48	158	239
Tamil Nadu			
Pykara-Moyar (2x7+1x6+2x14+2x11+3x12)	106	451	523
Mettur & Mettur Tunnel (4x10+4x50)	240	613	781
Periyar (4x135)	140	500	464
Kundah (4x20+5x35+2x60+1x50)	425	1745	1677
Uttar Pradesh			
Rihand (6x50)	300	900	574
D.V.C. (Hydro) (2x2+3x20+1x40)	104	246	N.A.

@first two units commissioned in 1972-73 and the third unit in 1973-74.

Power Commission (CW & PC) is in constant touch with the various state electricity boards to provide assistance to them as and when required. Besides, the services of some consultants are also made available to the various power station authorities for assessing and suggesting the possibility of improvement.

(iv) To keep a watch over the operation and maintenance of thermal plants, a separate operation and monitoring directorate has been set up in the CW & PC. For this purpose, the state electricity boards have also been advised to set up suitable monitoring cells which should keep close contact with the monitoring directorate of the CW & PC so that any assistance required by way of arranging spares, equipment or experts could be provided.

(v) In order to ensure availability of adequate number of trained personnel for the operation and maintenance of thermal power stations, it has been found that the existing facilities at the Neyveli and Durgapur training institutes would not be adequate. It has therefore, been proposed to set up two more training institutes, one at Delhi and the other at Nagpur, to meet the requirements during the fifth Plan.

(vi) For optimising the utilisation of hydro and thermal resources, it is essential to have integrated operation which requires establishment of inter-state transmission lines and regional load despatch stations. For this purpose, it is proposed to complete a number of inter-state transmission lines during the fifth Plan and also set up regional load despatch stations in the various regions.

TABLE II

Thermal (Coal-Based) Projects

Name of the states/union territories	Installed capacity (MW)	Firm energy potencial (million KWh)	Actual energy generated in 1972-73 (million KWh)
Andhra Pradesh			
1. Hussain sagar	12.50	56.75	23.68
2. Nellore	30.00	135.00	232.88
3. Ramagundam 'A'	37.50	168.75	112.73
4. Ramagundam 'B'	62.50	281.25	173.56
5. Kothagudam	240.00	1080.00	1473.19
6. Erragade (Gas)	20.00	9.00	23.36
Assam			
1. Chandrapur	30.00	135.00	2.40
2. Namrup (Gas)	69.00	310.50	249.02
Bihar			
1. Barauni	145.00	652.50	666.83
2. Patratu	400.00	1800.00	1279.96
Gujarat			
1. Porbander	15.00	67.50	59.73
2. Kandla	16.00	72.00	51.31
3. Sikka	16.00	72.00	68.73
4. Utran	67.50	303.75	418.62
5. Shapur	16.00	72.00	64.40
6. Dhuvran	534.00	2403.00	2298.46
7. Dhuvran (GAS)	54.00	243.00	182.00
8. Bhavnagar	16.60	74.70	71.10
9. Ahmedabad	217.50	978.75	1401.37
Haryana			
Faridabad (New & Old)	20.75	93.38	84.07
Jammu & Kashmir			
Kalakote	20.75	93.78	25.00
Maharashtra			
1. Ballarshah	22.50	101.25	121.57
2. Bhusawal	62.50	231.25	397.10
3. Paras	92.50	416.25	506.70
4. Khaparkheda	120.00	540.00	621.65
5. Nasik	280.00	1260.00	1494.38
6. Parli	60.00	270.00	345.00
7. Chola	96.00	432.00	205.00
8. Trombay	337.50	1518.75	2264.99
Damodar Valley Corporation			
1. Bokaro	247.5	1113.75	809.84
2. Chandrapura	420.00	1890.00	2112.97
3. Durgapur	290.00	1305.00	1011.89
Madhya Pradesh			
1. Nepanagar	17.00	7.65	13.78
2. Amarkantak	60.00	270.00	443.10
3. Korba I	100.00	450.00	405.20
4. Korba II	200.00	900.00	1692.90
5. Satpura	312.50	1406.25	1411.90
Orissa			
Talchar	50.00	1369.60	638.70
Punjab			
Pong	0.00	4.50	13.00
Rajasthan			
Jaipur	15.50	6.98	8.77
Tamil Nadu			
1. Bhasin Bridge	90.00	405.00	333.82
2. Ennore	340.00	1530.00	591.95
3. Neyveli	600.00	2700.00	1944.05
Uttar Pradesh			
1. Mainpuri	10.00	45.00	37.64
2. Gorakhpur	15.00	67.50	83.72
3. Mao	15.00	67.50	70.08
4. Faizabad	15.00	67.50	79.43
5. Aishlag	12.00	54.00	
6. Talkatora	10.00	45.00	55.21
7. KESA	75.00	337.50	388.23
8. Panki	64.00	288.00	346.48
9. Harduaganj (A)	90.00	405.00	429.70
10. Harduaganj (B)	210.00	945.00	850.60
11. Obra	350.00	1575.00	1369.80
12. Muradnagar (Gas)	12.50	5.62	1.08
West Bengal			
1. Gouripur	35.00	90.85	81.89
2. Bandel	330.00	1485.00	1523.72
3. Durgapur Project	285.00	1282.50	747.91
Delhi			
1. Rajghat A & B	44.60	100.70	155.51
2. Rajghat 15 MW	15.00	67.5	
3. Indraprastha Extn.	187.50	1084.70	1298.30
Indraprastha	36.60		

ompulsory
eposits scheme

MPULSORY DEPOSITS under Compulsory Deposit Sch-e (Income-tax Payers) ordi-nce, 1974, which was pro-ulgated by the President on y 17, 1974, have to be made h reference to the aggregate ome of the depositor, i.e., aggregate amount of the otal income" and "net agri-itural income", if any. For s purpose, "total income" eans the total income of the positor as computed in ac-rdance with the provisions the Income-tax Act after king into account various emptions and deductions owable under the law cluding deduction allowable th reference to qualifying vings through provident fund d life insurance). Similarly, et agricultural income" for is purpose will be computed ter allowing deduction in spect of expenses etc. as pro-ded in the rules for compu-tion of such income contain-in the Finance Act of the levant year.

In the case of taxpayers quired to pay advance tax der the Income-tax Act in lation to any assessment year, e compulsory deposit will ve to be made with reference the aggregate income of the xpayer which forms the basis r payment of Advance Tax r that assessment year. In e case of other taxpayers, g., salaried persons, compul-ry deposits will have to be ade on the basis of their timated total income of the levant period, as increased the net agricultural income, any, of that period, as esti-ated by the taxpayer.

The compulsory deposit is be made in accordance with e rates laid down in the hedule to the Ordinance. owever, the compulsory de-osit required to be made in ses where the aggregate in-me of the taxpayer exceeds s 15,000 by a small margin ill not be more than the amount by which the aggregate income exceeds Rs 15,000. The marginal limit for this purpose is Rs 15,620. Further, if the compulsory deposit to be made works out to less than Rs 100, the depositor will not be required to make any deposit under the Ordinance. The result will, therefore, be that :

(a) in a case where the aggregate of the taxable non-agricultural income and the net agricultural income is less than Rs 15,100, no compulsory deposit will be required to be made;

(b) in a case where such aggregate income is between Rs 15,100 and Rs 15,620, the compulsory deposit will be equal to the excess of the aggregate income over 15,000; and

(c) in a case where such aggregate income exceeds Rs 15,620, the compulsory deposit will be calculated at 4 per cent of the aggregate income upto Rs 25,000 *plus* 6 per cent of the aggregate income in the slab of Rs 25,001-70,000 *plus* 8 per cent of the balance.

The operation of the foregoing provisions in the case of an income-tax payer is illustrated in the following examples:

Example I

Aggregate of total income and net agricultural income
..Rs 15,050

No compulsory deposit will be required to be made as the aggregate income is less than Rs 15,100

Example II

Aggregate of total income and net agricultural income
..Rs 15,500

Since the aggregate income does not exceed Rs 15,620, the compulsory deposit required to be made will be equal to Rs 500, i.e,, the amount by which the aggregate income exceeds Rs 15,000

Example III

Aggregate of total income and net agricultural income
.. Rs 20,000

The compulsory deposit required to be made will be equal to Rs 800, i,e., 4 per cent of Rs 20,000.

Example IV

Aggregate of total income and net agricultural income
.. Rs 30,000

The compulsory deposit required to be made will be equal to Rs 1300 (i.e., 4 per cent of Rs 25,000 *plus* 6 per cent of the balance of Rs 5,000)

It has been decided that the compulsory deposits estimated to be around Rs 50 crores in 1974-75 will be impounded with the Reserve Bank of India and will not be available to the government as budgetary support. In the second year i.e. 1975-76, deposits accruing under the ordinance will be about Rs 55 crores and will also be impounded with the Reserve Bank of India.

Below is given the full text of the ordinance :

The Compulsory Deposit Scheme (Income-Tax Payers) Ordinance, 1974

An Ordinance to provide, in the interest of national economic development, for compulsory deposit by certain classes of income-tax payers and for the framing of a scheme in relation thereto, and for matters connected therewith or incidental thereto.

WHEREAS Parliament is not in session and the President is satisfied that circumstances exist which render it necessary for him to take immediate action.

Now, THEREFORE, in exercise of the powers conferred by clause (1) of article 123 of the Constitution, the President is pleased to promulgate the following Ordinance:

1. (1) This Ordinance may be called the Compulsory Deposit Scheme (Income-tax Payers) Ordinance, 1974.

(2) It extends to the whole of India.

(3) It shall come into force at once.

2. In this Ordinance, unless the context otherwise requires,—

(a) "compulsory deposit" means compulsory deposit under this Ordinance;

(b) "deposit" means a deposit of money;

(c) "depositor" means a person who is liable to make a compulsory deposit;

(d) "Income-tax Act" means the Income-tax Act, 1961;

(e) all other words and expressions used herein but not defined and defined in the Income-tax Act shall have the meanings, respectively, assigned to them in that Act.

3. (1) Subject to the provisions of this Ordinance, the persons specified in sub-section (2) shall be liable to make compulsory deposits for the assessment year commencing on the 1st day of April, 1975 and the assessment year commencing on the 1st day of April, 1976,

(2) The persons referred to in sub-section (1) are the following namely:—

(a) every person, being—

(i) an individual, who is a citizen of India;

(ii) a Hindu undivided family;

(iii) a trustee appointed under a trust declared by a duly executed instrument in writing whether testamentary or otherwise (including any Wakf deed which is valid under the Mussalman Wakf Validating Act, 1913), if the income in respect of which the trustee is liable to income-tax as a representative as-

sessee or any part thereof is not specifically receivable on behalf or for the benefit of any one person or where the individual shares of the persons on whose behalf or for whose benefit such income or such part thereof is receivable are indeterminate or unknown; and

(b) every person who is assessable under the Income-tax Act in respect of the total income of an individual, or a Hindu undivided family or a trustee specified in clause (a).

4. (1) Where, in relation to an assessment year referred to in sub-section (1) of section 3, the current income of any person, being an individual or a Hindu undivided family or a trustee specified in clause (a) of sub-section (2) of that section, exceeds fifteen thousand rupees, such person, or if any other person is assessable under the Income-tax Act in respect of the total income of such person, the person so assessable shall make, in accordance with and subject to the provisions of this Ordinance and any scheme framed thereunder, a compulsory deposit for that assessment year at the rates specified in the Schedule.

(2) Where, in the case of any person specified in the sub-section (2) of section 3, a deduction is required to be made under the Additional Emoluments (Compulsory Deposit) Ordinance, 1974, the amount of the compulsory deposit which such person is liable to make under this Ordinance for any assessment year shall be reduced by the amount deducted under that Ordinance during the financial year immediately preceding that assessment year; and where such deduction is equal to or exceeds the amount of such compulsory deposit, it shall not be necessary for such person to make a compulsory deposit for that assessment year.

(3) For the purposes of this section, "current income", in relation to an assessment year, means,—

(a) in a case where the Income-tax Officer has made an order under sub-section (1) or sub-section (3) of section 210 of the Income-tax Act requiring the person to pay advance tax during the financial year immediately preceding that assessment year and the person has not sent an estimate under sub-section (1) or sub-section (2) or sub-section (3A) of section 212 of that Act,—

(i) if the total income of the latest previous year in respect of which the person has been assessed by way of regular assessment forms the basis of computation of advance tax payable by him, such total income [exclusive of capital gains and income referred to in sub-clause (ix) of clause (24) of section 2 of the Income-tax Act) as increased by the net agricultural income, if any, which has been taken into account for the purposes of charging income-tax for the assessment year relevant to that previous year; or

(ii) if the total income of the previous year on the basis of which income-tax has been paid by the person under section 140A of the Income-tax Act forms the basis of computation of Advance Tax, such total income (exclusive of capital gains and income referred to in sub-clause (ix) of clause (24) of section 2 of the Income-tax Act) as increased by the net agricultural income, if any, returned by the person in the return of income for the assessment year relevant to that previous year;

(b) in a case where an estimate is sent by the person under sub-section (1) or sub-section (2) or sub-section (3) or sub-section (3A) of section 212 of the Income-tax Act, the total income (exclusive of capital gains and income referred to in sub-clause (ix) of clause (24) of section 2 of the Income-tax Act) as estimated by him, of the period which would be the previous year for that assessment year, as increased by the net agricultural income, if any, of that period, as estimated by him;

(c) in any other case, if the total income of the person, as estimated by him, of the period which would be the previous year for that assessment year exceeds the maximum amount not chargeable to income-tax in his case, such total income (exclusive of capital gains and income referred to in sub-clause (ix) of clause (24) of section 2 of the Income-tax Act), as increased by the net agricultural income, if any, of that period, as estimated by him.

Explanation.—In this sub-section, "net agricultural income" means the net agricultural income as defined in the Finance Act of the relevant year.

5. A depositor shall make the compulsory deposit for an assessment year referred to in sub-section (1) of section 3,—

(a) in a case where such depositor is required to pay advance tax under the Income-tax Act in the financial year immediately preceding that assessment year, at any time (in one sum or in instalments of his choice before the expiry of the date on which the last instalment of advance tax is payable by him in accordance with the provisions of section 211 or, as the case may be, sub-section (3A) of section 212 of that Act;

(b) in any other case, at any time (in one sum or in instalments of his choice) before the end of the financial year immediately preceding that assessment year.

6. (1) If, in relation to an assessment year referred to in sub-section (1) of section 3, the correct income of a person falling under clause (c) of sub-section (3) of section 4 exceeds fifteen thousand rupees and such person has failed to make the compulsory deposit for that assessment year, the Income-tax Officer shall, by order in writing, direct that such person shall make the compulsory deposit with reference to his correct income.

(2) For the purposes of this section, "correct income" of a person, in relation to an assessment year, means—

(i) in a case where the person has furnished the return of income under section 139 of the Income-tax Act, the total income (exclusive of capital gains and income referred to in sub-clause (ix) of clause (24) of section 2 of the Income-tax Act) returned by him, as increased by the net agricultural income if any, returned by him;

(ii) in a case where the person has failed to furnish the return of Income under section 139 of the Income-tax Act and assessment is made under section 144 of that Act, the total income (exclusive of capital gains and income referred to in sub-clause (ix) of clause (24) of section 2 of the Income-tax Act) determined on assessment as increased by the net agricultural income, if any, determined on assessment.

Explanation.—In this sub-section "net agricultural income" has the meaning assig-

to it in the *Expalanation* sub-section (3) of section

7. (1) Every compulsory posit made by or recovered m a depositor shall carry nple interest at a rate equal the bank deposit rate.

Explanation.—In this sub-tion "bank deposit rate" eans the highest of the maxi-m rates at which interest y be paid on different clas-s of deposits (other than se maintained in savings count or those maintained charitable or religious titutions) by different classes scheduled banks in accor-nce with the directions given issued to banking companies nerally by the Reserve Bank India under the Banking egulation Act, 1949.

(2) The interest shall be lculated in such manner as ay be specified in the scheme amed under section 13.

(3) For the purposes of e deduction under section L of the Income-tax Act, terest received on a compul-ry deposit shall be deemed be interest received on a posit with a banking com-ny to which the Banking egulation Act, 1949, applies.

8. The amount of com-ulsory deposit made by or covered from a depositor any financial year shall be payable in five equal annual stalments commencing from e expiry of two years from e end of that financial year, gether with the interest due n the whole or, as the case ay be, part of the amount f the compulsory deposit hich has remained unpaid:

Provided that nothing in is section shall prevent arlier repayment of the de-osit or any instalment thereof gether with the interest due any case in which the ncome-tax Officer is satisfied at extreme hardship will be aused unless such repayment is ade.

9. Every depositor shall end to the Income-tax Officer, long with the return of in-come for the assessment year for which he is liable to make a compulsory deposit, proof of the fact of such deposit having been made.

10. (1) If, in relation to an assessment year referred to in sub-section (1) of section 3, any person who is liable to make an compulsory deposit [being a person falling under clause (a) or clause (b) of sub-section (3) of section 4]—

(a) has failed to make the compulsory deposit within the time allowed under section 5, or

(b) has made the compulsory deposit within such time but the deposit so made falls short of the requisite amount,

the Income-tax Officer shall by order in writing, direct that such person shall pay, by way of penalty, a sum—

(i) which, in the case referred to in clause (a), shall be equal to twenty-five per cent, of the compulsory deposit which he is liable to make; and

(ii) which, in the case referred to in clause (b), shall be equal to twenty-five per cent, of the amount by which the compulsory deposit made by him falls short of the requisite amount.

(2) If, in relation to an assessment year referred to in sub-section (1) of section 3, the correct income of a person falling under clause (c) of sub-section (3) of section 4, exceeds fifteen thousand rupees and such person—

(a) has failed to make the compulsory deposit within the time allowed under section 5, or

(b) has made the compulsory deposit within such time on the basis of his own estimate but the deposit so made is less than seventy-five per cent. of the compulsory deposit which he would have been liable to make on the basis of his correct income,

the Income-tax Officer shall, by order in writing, direct that such person shall pay by way of penalty a sum—

(i) which, in case the referred in clause (a), shall be equal to twenty-five per cent. of the compulsory deposit calculated with reference to his correct income; and

(ii) which, in the case referred to in clause (b), shall be equal to twenty-five per cent. of the amouut by which the compulsory deposit made by him falls short of the compulsory deposit calculated with reference to his correct income.

Explanation:—In this sub-section, "correct income" has the meaning assigned to it in sub sections (2) of section 6.

(3) No order imposing a penalty under this section shall be made against any person unless such person has been heard or has been given a reasonable opportunity of being heard.

11. Any depositor, aggrieved by any order of the Income-tax Officer imposing a

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penalty under section 10, may appeal to the Appllate Assistant Commissioner and the provisions of the Income-tax Act relating to appeals, reference and revision shall, so far as may be, apply in relation to such order as they apply in relation to an order of the Income-tax Officer imposing a penalty under section 221 of that Act.

12. Any arrear of compulsory deposit and any penalty imposed under this Ordinance shall be recoveable in the manner provided in Chapter XVII-D of the Income-tax Act for the recovery of arrears of tax.

13. (1) The Central Government shall, by notification in the Official Gazette, frame a scheme or schemes, to be called Compulsory Deposits (Income-tax Payers) Scheme or Schemes in relation to compulsory deposits.

(2) A scheme framed under sub-section (1) may provide for—

(a) the manner in which compulsory deposit shall be made;

(b) the documents to be issued to persons by whome deposits have been made as evidence of such deposits;

(c) the authority or authorities by through whom the deposits may be collected;

(d) the nomination of any person to receive the amount standing to the credit of a depositor in the event of his death or in cancellation or change of such nomination;

(e) the issue of duplicate of any document issued as evidence of any deposit in the event of loss or destruction of the original and the fee (not exceeding two rupees) on the payment of which such duplicate may be issued;

(f) any other matter which may be necessary or proper for the effective implementation of the scheme.

(3) A scheme framed under this section may Provide that all or any of its provisions shall take effect either prospectively or retrospectively on such date as may be specified in this behalf in the scheme.

(4) Any scheme framed under this section shall have effect notwith standing anything contained in any law for the time being in force (other than this Ordinance) or any instrument having effect by virtue of any law other than this Ordinance.

14. The Central Government may, by notification in the Official Gazette, add to, amend, vary or rescind any scheme framed under this Ordinance.

15. (1) The amount of any compulsory deposit shall be rounded off to the nearest multiple of ten rupees and for this purpose any part of a rupee consisting of paise shall be ignored and thereafter if such amount is not a multiple of ten then, if the the last figure in that amount is five or more, the amount shall be increased to the next higher amount which is a multiple of ten and if the last figure is less than five, the amount shall be reduced to the next lower amount which is a multiple of ten.

(2) The amount of penalty payable under the provisions of this Ordinance shall be rounded off to the nearest rupee and, for this purpose, where such amount contains a part of a rupee consisting of paise, then, if such part is fifty paise, or more, it shall be increased to one rupee and if such part is less than fiifty paise it shall be ignored.

16. The provisions of Chapter XV of the Income-tax Act relating to liability in special cases shall, so far as may be, apply in relation to compulsory deposits and penalties imposable under this Ordinance as they apply in relation to income-tax payable and penalties imposable under that Act.

17. (1) The amount of compulsory deposit and interest thereon standing to the credit of any depositor shall not be liable to attachment under a decree or order of any court in respect of any debt or liability incurred by the depositor.

(2) The amount of compulsory deposit and interest thereon standing to the credit of a depositor at the time of his death and payable to his nominee shall vest the nominee and shall be free from debt or other liability incurced by the deceased or incurred by nominee before the death of the depositor.

18. No suit, prosection or other legal proceeding shall lie against the Government or against any officer of the Government for anything which is in good faith done or intended to be done under this Ordiance or any scheme framed thereunder.

19. Every scheme framed under this Ordinance shall be laid, as soon as may be, after it is framed before each House of Parliament while it is in session for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sassions aforesaid, both Houses agree in making any modification in the scheme or both Houses agree that the scheme should not be made, the scheme shall thereafter have effect only in such modified form or be of no effect, as the case may be; so however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that scheme.

20. If any difficulty arise in giving effect to the provisions of this Ordinance, the Central Government may, by order, not inconsistent with the provisions of this Ordinance, remove the difficulty:

Provided that no such order shall be made after the expiry of a period of two years from the commencement of this Ordinance.

The Schedule

(See section 4 (1))

Rates of Compulsory Deposit

(1) Where the current income exceeds Rs 15,000 but does not exceed Rs 25,000 4 per cent of the current in come;

(2) Where the current income exceeds Rs 25,000 but does not exceed Rs 70,000 Rs 1,000 *plus* 6 per cent. of the amount by which the current income exceeds Rs 25,000;

(3) Where the current income exceeds Rs 70,000 Rs 3,700 *plus* 8 per cent of the amount by which the current income exceeds Rs 70,000:

Provided that where the current income exceeds Rs 15,000 but does not exceed Rs 15,620, the compulsory deposit shall in no case exceed the amount by which the current income exceeds Rs 15,000:

Provided further that where in the case of any depositor the amount of compulsory deposit calculated in accordance with the foregoing provisions in less than Rs 100, it shall not be necessary for him to make such deposit.

Explanation—In this Schedule, "current income" has the meaning assigned to it in sub-section (3) of section 4.

Wrong date

Mr Y.B. Chavan seems to have got his dates (chronological, not romantic) mixed up. His tax proposals might have been ssible on the poverbial April Fool's Day. Coming as they did on July 31, they can ither be treated as innocent fun nor even brushed aside as a sick joke for, sides being an affront to the common sense of the Indian people, they were grave betrayal of the government's basic responsibility to ensure at least the short- m economic stability of the nation. The Finance minister, naturally, was per- ce on the defensive where he was not abjectly apologetic. When, for instance, he ed to argue that his tax proposals were a valiant attempt at controlling inflation, did so without conviction but not without an awareness of a loss of self-respect. It of course an insult even to the meanest intelligence to claim that his tax proposals ve any worthwhile anti-inflationary substance or direction. They may be in part a nsequence of the inflation raging in the country, but they are in no way a remedy r it. Mr Chavan has had to bring forward these tax proposals simply because the vernment, despite the taxation in the main budget for the current financial year, is not ding it possible to live within its means, a situation created fundamentally by its bitual profligacy but aggravated by the inflationary trend in the economy.

To such of us as would recall the spate of critical comments on Mr Chavan's budge- ry performance in February this year. the second Finance Bill could contain no ele- ent of surprise at all. After pointing out that the central budget "should have occu- ed itself with, in the first place, preventing a further expansion of money supply and, condly, bringing about a substantial contraction of it in the course of the new finan- al year," this journal, in its Budget Number of March 8, stated as follows:

> "Mr Chavan, however, has irresponsibly ignored this pressing obligation. Instead, he has budgeted for a substantial deficit in 1974-75. This deficit has been nominally placed at Rs 125 crores but no faith is being reposed in this figure anywhere in the country. On the contrary, it has been shame-facedly pointed out by the Finance minister himself that it would not be wise to take the budget estimate of the deficit at its face value. Thus, while concluding his budget speech, the minister, with a Pilate-like gesture of washing his hands of the affair, said that he would like to draw the attention of the house to the developments of the last two years 'which have shown how certain events can greatly upset the original calculations.' This is simply a politician's way of saying that he does not have the moral courage or the political guts to be quite frank about the window-dressing he has done in this budget."

These remarks, harsh though they might have sounded at the time, are, in restro- ect, no more than what the Finance minister had asked for by way of legitimate criticism. lad Mr Chavan been a little more honest in his official behaviour, he would have either nsured in February itself that the government took steps to cut down expenditure fficiently, or sought a larger addition to the tax revenue than he did so that deficit nancing could be effectively controlled. But he chose then the cheap and easy way ut and foisted on Parliament and the public a scheme of government receipts and out- oes which was false and farcical. It may be argued that the government could not ave anticipated the loss caused to the revenues of the Railways by the strike in May his year, but it was at least surely obvious in February itself that the government would be confronted with additional bills for dearness allowance periodically. o have failed to provide for this obvious contingency either by an austere eco- omy programme or, alternatively, further revenue proposals in February itself, was ertainly an act of high irresponsibility, given the inflationary context.

Considered against this background the assertion of the Finance minister in his peech of July 31 that "the thrust of the central budget for 1974-75 was to restrain he growth of government expenditure, mobilize additional resources on a substantial cale, and to reduce reliance on deficit financing" must evoke protest and derision. As of February 28, 1974, the government did exactly nothing to restrain the growth of ts expenditure or to reduce reliance on deficit financing. It is true that the central budget did mobilize additional resources, but these resources have simply gone

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down the drain so far as their contribution to the avoidance of inflationay fiscal management of the economy by the government is concerned. The proof of all this is to be found in the very fact that Mr Chavan has been compelled to go to Parliament a second time during the current financial year with proposals for considerable additional taxation.

It is true that the Finance minister, persisting in his window dressing, has said that the government is currently engaged in reviewing expenditure with the purpose of carrying out all possible economies. If the government is serious about this exercise, it need not have waited so long to make a start. It could have done its sums at least in the quarter following the main budget even if not in the quarter preceding it. After all, it had been clear all along that the government was not going to live within its means or avoid highly inflationary deficit financing unless it could substantially bring down its house-keeping expenses. Now four months of the current financial year are already gone and the government is still discussing and debating economy measures. Quite clearly nothing much is going to be accomplished in this direction during the remaining part of the current financial year. In the circumstances it is rather strange that Professor C.N. Vakil should have been in a hurry to express his sense of gratification at, as he put it, the government having accepted yet another proposal of his group. Surely at his time of life and with his academic status he could easily have done without trying to pick up bits and pieces of alleged appreciation or approbation.

II

This journal did not expect the so-called mini-budget to deal heroically with inflation. If, nevertheless, it is disappointed with Mr Chavan's performance last week, it is essentially on the moral plane and not on the economic. It is indeed tragic that this country should have a government which is chronically incapable of telling the truth to the public The minimum that the Finance minister owed to the public on July 31 was to say frankly that he was seeking additional revenue because, without these taxes, the government could pay its additional bills only by printing more notes at the Nasik press. It is even more tragic that he has not only supressed the truth but has also tried to suggest that which is patently false. To try to make out, as Mr Chavan did, that his tax proposals were a positive contribution to any anti-inflationary strategy that the government might have, was to utter a Goebbelsian lie.

Having said this, this journal may now proceed with a clear conscience to give the devil its due. For days preceding the announcement on July 31 there were wild rumours of confiscatory and expropriatory legislative or administrative measures allegedly for dealing with black money. It goes to the credit of Mr Chavan and the central government that they have resisted political pressures for indulging in cheap demagoguey in these directions. Black money is an evil that undoubtedly exists, but it can and ought to be dealt with at the levels of political morality and sound law enforcement. The government has all the powers it needs and has virtually all the machinery it requires to deal with smugglers, profiteers and hoarders. If nevertheless it has not so far done enough in this respect, it is entirely because of obvious political compulsions. So far as the general public or informed opinion is concerned, there has never been any doubt that the moment the government really desires to deal with black money, it could do it at least as easily as any civilized society checks large-scale private murders or armed robberies through the police and the law courts. But, so long as the government goes about conferring Padma Shris on known black marketeers, it would certainly be difficult for it to plead that it has exhausted all its options except demonetization (or SEMI-BOMBLA) for dealing with black money.

As for the specifics of the scheme of additional taxation, it certainly has some negative features in its favour. Mr Chavan, for instance, has not reversed the change effected in income-tax rates in the main budget for the purpose of easing the progression on the higher slabs of income to more realistic levels. He has also refrained from raiding company earnings once more but after the dividend restraint and compulsory deposit ordinances, this self-denial — if this is to be the description — was perhaps only to be expected of him. The toughening up of the tax on capital gains of companies need not raise any strong emotions for or against, but it may be pointed out that it is not as impressive as it may seem at first sight, whether as a revenue measure or a punitive levy on unearned incomes. There is still a problem of tax avoidance or evasion to be dealt with here and this is a problem which becomes all the more complicated as nominal rates go up.

The pattern of additional excise levies has been justified by the Finance minister on the reasoning that these imposts will not affect the common man and that many of them are specifically designed to mop up excessive trading profits. On balance, however, the continuous heavy taxation of industrial raw materials or intermediate goods is likely to strengthen the cost-push aspect of inflation and he would be a bold man who could affirm that the consumer in the mass will not be affected in the final analysis. In any case the additional levies of duties such as those on cement or paper, of which there are acute shortages, can easily be passed on to the public without illicit trading profits being in any way affected. In other words, that part of the commodity which is currently being sold at a premium will continue to fetch this premium while all that will happen is that the consumers, who may be obtaining some part of their requirements at the official prices, may hereafter find that they are being charged the additional excise duty on these purchases.

Finally, there is the tax on the interest earned by commercial banks on their loans and advances. This is a truly monstrous levy the enormity of which is only emphasised by its novelty. It is true that a further rise in the Bank Rate or the lending rates of commercial banks through administrative action may not lead to government revenues sharing directly in the consequential increase in the gross earnings of banks, but this is not sufficient reason for introducing a highly offensive

lement of rigidity into the monetary or redit regulation instruments at the command of the central banking authority. The essence of monetary and credit policy s that it should be flexible and capable of prompt adjustments to changing circumstances in the money market. Once the Finance ministry begins to ook upon the earnings of banks from loans and advances as a source of tax revenue, this flexibility becomes automatically mortgaged to the ways and means position of the government. This is a development which is thoroughly to be deplored and, while the immediate impact of a further rise in the cost of bank credit would be embarrassing or even frustrating to industry and commerce, what must concern us even more are the long-term implications of the concept itself of directly taxing banks' interest income for revenue purposes. This measure of taxation seems to us to be downright stupid, its only virtue being the service it has rendered the country by underlining the bankruptcy of thinking in the economic counsels of the government.

In these circumstances the Finance minister's tax proposals must be said to have received from All India Radio the commentary they deserved. The talk broadcast in the 'Spotlight' programme of the New Delhi station on July 31 was a devastating display of ignorance. The author was ignorant of English when he talked of "mopping up" resources; he was ignorant of facts when he mentioned the additional revenue of Rs 232 crores without making it clear that it referred to a whole year and not to the rest of the current financial year which is the context immediately relevant to the tax proposals; and he was ignorant of economics in almost everything he said in his talk.

Bash the bankers

NORMALLY BOVINE in both appearance and temperament Mr Mohan Dharia could nevertheless get hysterical. He seems to become particularly excitable whenever he lands on his home ground. A few days ago, in the presence of Mr Y.B. Chavan, who happens to be the Finance minister in the central government, Mr Dharia declared (either in Bombay or Poona—it does not matter where, so long as it is Maharasthra) that the nationalization of banks had failed to achieve its objectives and he went on to lay the blame for this on the chairmen of nationalized banks. Some of us may have had a quiet laugh over the irony of a minister of the central government celebrating the fifth anniversary of the nationalization of banks by proclaiming to the world that nationalization has failed—and it should certainly be amusing to speculate about the possible reactions to Mr Dharia's verdict of Mrs Indira Gandhi who no doubt still considers the nationalization of banks to be a jewel in her imperial diadem. Many more, however, may find it rather odd that a junior minister in the ministry of Planning should have thought it proper to pass such an adverse remark on the functioning of the chairmen of nationalized banks who are supposed to be under the control and supervision of both the Reserve Bank and the ministry of Finance.

If things have come to this sorry pass, Mr Chavan, in whose immediate presence Mr Dharia committed this transgression, has only himself to blame. Although the bank officials concerned are as much officials of the central government in general and of the Finance ministry in particular as any other functionary of either, Mr Chavan, for some curious reason, has never accepted obligation to defend them or their functioning against critics however perverse, self-opinionated, or ill-informed. On the contrary, he has always been inclined to a kind of ambivalence which has encouraged the public to believe that he himself shares the critics' allegations against the performance of the chairmen of nationalized banks. There can be little doubt that such ministerial attitudes are playing an important part in demoralizing top executives in nationalized banking who, after all, are responsible for implementing the government's credit policies as well as maintaining standards in the day-to-day working of these banks.

The situation is further complicated by the fact that the Finance ministry clearly expects and has in fact instructed the government directors on the boards of nationalized banks to be virtually looking over the shoulders of the chairmen and acting as watchdogs. Even the prime minister has more than once said things to this effect which really means that she herself has no confidence in nationalized banking performing its duties normally. Apart from demoralizing bank chairmen this approach on the part of New Delhi has weakened the authority and influence of the Reserve Bank over the commercial banking system.

Many seem to be of the view that the government put its wrong foot forward when a former deputy governor of the Reserve Bank, after becoming secretary in the departmant of Banking of the ministry of Finance in the wake of bank nationalization, began to imagine himself to be some kind of a Czar and grand Moghul combined and began to act in that fashion. The general managers, who had automatically become custodians after nationalization, were called to Delhi, treated to lectures or sermons, bullied and generally made to feel small in every possible way. The object seemed to be to make them feel in their bones that they were holding office on sufferance and that they could expect to keep their jobs only if they were on their best behaviour. It was logical perhaps that at the time of nationalization the government should have tried to satisfy itself that the former general managers would be able to serve the objectives of nationalization faithfully and efficiently in their new capacities as custodians but, surely, there could have been a better way of indoctrinating the nationalized bank chiefs than the one that was adopted in the Finance ministry.

In any case five years have passed and, during this period, the government has had enough time and opportunities for weeding out unwanted or unsuitable men. In fact, this has been done to some extent, part of it through the natural retirement of some of the officials concerned. If nevertheless the Finance ministry is not wholly easy in its mind about any of the present bank chairmen, it could certainly get rid of them easily enough. What is

so patently unfair is that a general attack should continue to be made on the chairmen of nationalized banks as 'enemies within', who are all the time trying to sabotage the objectives of nationalization and favour big business at the expense of the priority sectors. This attitude would have been objectionable even if it had only been unjust to the individuals concerned; it becomes down-right stupid and harmful when it creates avoidable obstacles, as it clearly does, to the efficient functioning of the nationalized banks.

Given the increasing tightening of selective credit controls and the progressive increase in the Bank Rate, now stepped up to nine per cent, it is plainly desirable that the chairmen and other senior officers of nationalized banks should have sufficient discretion and therefore self-confidence to manage day-to-day lending transactions with flexibility and due regard to the particular circumstances of individual borrowers. As it is, although the government is prepared to sink taxpayer's money into the taking over of sick textile mills or other ailing industrial undertakings, a bank chairman is unduly restricted in exercising his judgement when an industry applies for credit even for such essential purposes as paying wages to employees, maintaining export production or taking delivery of imported raw materials from state trading agencies. Incidentally, while the Reserve Bank may peremptorily order commercial banks to freeze overdraft limits, the STC or the MMTC could still insist on indentors clearing consignments at short notice. If a bank chairman cannot have sufficient authority to assess hard cases and extend accommodation in order that production or exports may be maintained, there is surely very little to be said in favour of the kind of regulation which is sought to be exercised over commercial banking in what is alleged to be the public interest.

Perhaps nowhere has this process of castrating bank chairmen and denying them functional potency caused more serious harm than in the area of the routine services which banks are supposed to render to their customers. It would be easy to blame communist influence on bank employees' unions for the atrocious decline in the availability and quality of normal services to depositors or other clientele. But this would not be true. This is not to say that restrictive trade practices, ingeniously developed and vigorously practised at the instance or instigation of trade union leaders, have not contributed substantially to the regular harassment suffered by the public in its dealings with nationalized banks, but, surely, indiscipline or dereliction of duty, even when backed by trade union militancy, could certainly be dealt with effectively by bank mangements provided their own morale had not been virtually demolished by the politicians in New Delhi and their bureaucratic henchmen. As a result, even conscientious bank chairmen and other senior officers find themselves frustrated and helpless when flooded with the legitimate grievances of customers.

In almost every detail of ordinary banking transactions, whether it is the clearance of a cheque across the counter, the collection of outstation cheques, the carrying out of the standing instructions of depositors or even the simple acknowledgement or safe custody of documents submitted by clients, it has become the rule for bank employees to practise indifference, inefficiency and even active antagonism as a fine art, if not as a way of life. It has become rare indeed for the public to find officials (middle-level or lower) at their seats or willing to attend to work promptly, while the recruitment of women seems to have added colour to the banking scene in more than one sense since women employees knitting woollen or other garments in colourful patterns during working hours and consulting one another in the process has become a common spectacle at the offices of many nationalized banks.

The prime minister assumed a great responsibility when she nationalized the leading banks. It is regrettable but true that she or her government has been less than sincere in trying to discharge this responsibility in all its implications. At least on the fifth anniversary of the nationalization of banks she should make a start at making good this lapse. There could not be a better beginning for this process that the restoration of dignity and authority to the chairmen of nationalized banks and through them to bank managements as a whole. This would mean of course that the tempting but harmful and essentially silly game of "Bash the Bankers", which politicians such as Mr Mohan Dharia may want to play, should be promptly and even harshly halted.

Dear, dearer, dearest?

THE LONG-AWAITED increase in the Bank rate from seven per cent to nine per cent was announced on July 22, 1974 barely six days after the lists for the central loans were closed on July 16, 1974, within a few hours after their being opened. In spite of the difficult conditions prevailing in the money market, there was never any doubt about the success of the first phase of borrowing by the central government in the current financial year. The monetary authorities have always managed to get the new loans and bonds of the central and state governments and public bodies subscribed by giving the necessary directives to the scheduled commercial banks. The Life Insurance Corporation is of course investing nearly 60 per cent of fresh additions to its assets in new loans and bonds besides granting direct loans on negotiated terms to the state electricity boards, municipalities, housing boards and others. The provident funds, for their part, have to dispose of their resources in approved securities.

It is therefore not surprising that the lists for the new central loans were oversubscribed even on the opening day and the total amount mobilised was Rs 438.35 crores, consisting of conversion applications for Rs 186.92 crores and cash applications for Rs 251.43 crores. After allowing for the conversion of the maturing $3\frac{3}{4}$ per cent 1974 loan and repaying also the unconverted portion of this loan, the net amount borrowed was Rs 236.71 crores as it was decided by the central government to exercise its option to accept subscriptions up to 10 per cent in excess of the notified amount. As the aggregate subscriptions were slightly less than the

ermitted maximum amount of Rs 440 ores, all subscribers got full allotment.

The first tranche of central government orrowing for 1974-75 has thus been uccessfully gone through and only the alance of Rs 261.65 crores has to be ised in the coming months. With the ate loans due to be floated in the last eek of August for a net amount of at ast Rs 150 crores, it will be possible for ne centre to complete its borrowing pro-amme only in September-October. While ne Reserve Bank can be expected to find ne resources required by the government, will be desirable if fresh borrowing is arried out on a staggered basis and un-ecessary strain on the banking system s avoided.

There does not seem to be however ny definite policy in regard to the formu-ation of the terms of the loans. For, here was no change in the basis of bor-owing in July last year even after the Bank rate was raised to seven per cent rom six per cent on May 30, 1973. Long after this rate was raised, the selling and buying rates for central government secu-rities were lowered by the Reserve Bank in pursuance of its open market operations. The terms of the new central loans recent-ly announced were thus framed on a slightly costlier basis for the borrower, the yield being raised by roughly one-quarter per cent. Open market sales were conti-nued uninterrupted and there was no suspension even on the eve of the opening of the new lists. This was perhaps due to the need on the part of member banks to invest a sizable portion of the impoun-ded cash balances which were released on June 29, 1974 following a reduction in the cash reserve ratio to five per cent from seven per cent and an increase in the statutory liquidity ratio by one per cent to 33 per cent.

What is really surprising is the action of the Reserve Bank in continuing open market operations after the new loans were out of the way. There was even a slight increase in the selling rates for the new loans over the issue prices and these rates have not been changed after the Bank rate was raised to a new peak level of nine per cent. The question is therefore being asked in money market circles what is exactly the significance of the Bank rate for government borrowing and whether there will be privileged borrowing by the central and state governments and even the public bodies when interest rates are high in other directions. There have been consequential adjustments in deposit rates and lending rates of the scheduled commercial banks following the hike in the Bank rate. The interest rates on deposits for terms exceeding 91 days have been raised and the maximum rates in respect of deposits for periods in excess of five years have been raised to 10 per cent from eight per cent. The mini-mum lending rate is now 12½ per cent against 11 per cent and the minimum rate applicable to advances against sensitive commodities is now 15 per cent against 13 per cent.

The bankers are now examining closely the implications of the latest develop-ments. As the interest rates on deposits for terms less than 91 days and in respect of saving bank accounts were increased on April 1, 1974 and the cost of even existing term deposits for longer periods has increased because of the new stipula-tion that the revised rates will be appli-cable to unexpired portions of existing fixed deposits, it is felt that the profitabili-ty of working has been seriously affected. It is true that the lending rates had been raised to high levels and had no proper relationship with the Bank rate before it was raised. Even after its revision, the spread between the revised deposit rates and lending rates is more than what it should be. There will also be the advan-tage relating to a higher minimum lending rate and higher rates in respect of sensi-tive commodities. Even the Food Cor-poration will be required to bear an interest rate of 11 per cent while export finance has become more costly. It is however pointed out in banking circles that the cost of borrowing against refinan-ce facilities and under the Bill Market Scheme has become prohibitive while a large amount has been invested in govern-ment and approved securities at low rates. It will not thus be possible to improve the yield on existing investments even while the cost of existing deposits has risen significantly.

It is not also clear what exactly will be the policy pursued by the Reserve Bank in respect of fresh borrowing by the central and state governments. What is really intriguing money market circles is the continuance of open market opera-tions of the Reserve Bank on an unchang-ed basis as the selling and buying rates for central government securities have not been reduced even after the Bank rate was raised recently. It is therefore argued that fresh investments in govern-ment and approved securities might be effected on a basis which will contain a large subsidy element and prevent member banks from reducing lending rates even if they are successful in reducing borrow-ings from the Reserve Bank and the out-standing amount under the Bill Market Scheme.

It is quite likely that the yield on go-vernment securities will become less un-attractive after some time as all indica-tions point to a continuance of the dearer money policy now being pursued, for quite some time. But the yield basis may not be such as to enable even a loss being avoided, as the average cost of deposits has risen substantially with higher interest rates and rising working expenses. The government also is compelling the maintenance of higher liquidity by fixing the statutory liquidity ratio at 33 per cent, and raising the cash reserve ratio at 5 per cent. Having regard also to the fact that a generally high level of cash balances has to be maintained in order to meet the requirements of a growing num-ber of branches in unbanked areas, it will be possible for credit institutions to utilise only 60 per cent of fresh deposits for increasing advances. Even here lower rates are quoted for privileged borrowers in the priority sectors. Thus the lending rates applicable to industry and trade in the private sector have to be maintained at high levels. The losses incurred in running and opening new branches has also to be met out of current income. It is, therefore, felt that bank borrowing will remain prohibitively costly and the different elements of subsidies are having a distorting effect on the interest rate structure. With scarcity of lendable resources even at the present levels it is wondered for how long the present acute phase in the money market will continue and how meaningfully the dearer money policy will be administered.

Ordinances and after

THE WAR on inflation launched by the central government with the promulgation of four ordinances, including an amending ordinance, has so far been aimed at contracting money supply with the public. Under the first ordinance the exceptional increases in emoluments of the fixed income groups and additional dearness allowances are sought to be immobilised to the extent of 50 per cent of the extra payments. It is anticipated that about Rs 1,000 crores will be immobilised in two years, there being repayments in five equated instalments annually, beginning from the third year. The interest rate payable on the immobilised amounts will be 11 per cent. Under the second ordinance, in its amended form seeking to limit the payment of equity dividends by public limited companies, the sum additionally retained by the companies concerned is estimated at Rs 65 crores annually or probably Rs 140 crores in two years. Under the fourth ordinance the residual incomes of income tax assessees having net incomes above Rs 15,000 annually will be impounded to the extent of Rs 50 crores yearly by asking them to deposit compulsorily with notified banks four to eight per cent of assessable incomes, the amounts deposited carrying interest at 8½ per cent. The actual amount impounded may be much higher at Rs 75 crores or Rs 150 crores in two years.

It will therefore be seen that about Rs 1,300 crores are sought to be frozen in order to reduce money supply with the public by a little over 10 per cent in two years. The non-payment of exceptional increases in wages and additional dearness allowances may be said to be reflected in a reduction in money supply by about Rs 45 crores every month. In respect of dividends however the withdrawal may not take place in a uniform manner as dividend payments bunch during particular parts of the year. Even so it can be expected that it will be on an average six crores of rupees every month. The compulsory deposits by income tax assessees however are required to be made only before March 15 of every year and it remains to be seen whether there will be any attempt to make regulur payments or deposit the amounts involved in one instalment. The effect of this immobilisation can therefore be expected to be felt only in March next year.

It is noteworthy that the government does not stand to benefit by these ordinances in any manner as it has been stated that the frozen portion of exceptional increases in wages and extra dearness allowances will not be available for use to the central and state governments and the amounts credited to the two deposit accounts will be segregated by the Reserve Bank in a manner which will not be available to anyone. The central government will therefore have to find the required additional resources for paying the increased dearness allowances though it has not been made clear who will be bearing the burden of interest charges at the rate of 11 per cent on the accruing amounts. The amounts retained by joint stock companies through restricted dividend payments are to be used for reducing bank credit or repaying loan instalments against assistance secured from term lending institutions for implementing expansion or new schemes. A contraction in bank credit in different forms may therefore take place resulting in reduced pressures on the banking system and larger residual resources with the term lending institutions. As regards compulsory deposits by income taxpayers it was not made clear in the first instance that the deposits would be immobilised and it was thought that as on the former occasion the central exchequer would be mobilising additional resources. It has now been clarified that these deposits also would be segregated by the Reserve Bank through the notified banks.

For the first time in several years, an attempt has been made to bring about a net contraction in money supply with the public through a reduced growth of money incomes of particular groups, limited payments of dividends and a reduction of the residual incomes of income tax assessees. But, can it be said that these measures will make any impression on money supply immediately and on the price structure? The effect cannot certainly be felt immediately as the rate of increase in money supply is around Rs 125 crores every month.

An analysis of the changes in money supply with the public in two years ending June 1974 shows that in the first six months of this year up to June 22 the increase in money supply was to the tune of Rs 1,268 crores with currency with the public accounting for Rs 890 crores and deposits for Rs 378 crores. In the first half of 1973 the rise in money supply

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A proposal to set up a Central Oilseeds Committee and the ways and means of financing it will be considered at a meeting of the Oilseeds Committee of the Imperial Council of Agricultural Research to be held in Bombay on August 4. The meeting will also discuss the question of export of oilseeds, with special reference to groundnuts and the intensification of oilseed crushing in the country. The main problems as regards oilseeds are three: (1) Increasing acreage yields, mainly through better seeds; (2) Promoting oilseeds crushing in the country not only as a part of a programme of industrial development but also because this industry is basic to important expanding industries, such as plastics; (3) Organizing the export trade on sound, progressive lines. A central authority to push through work on these lines has long been over-due and its constitution should not be delayed any further. A small cess on exports will be one good way of financing the work of the Committee. This may be supplemented by the proceeds from a modest excise duty on oilseeds products, such as Vanaspathi. There is already a central excise on Vanaspathi, and the Committee may rightly claim for a grant out of the revenue from the duty. The increasing utilization of oilseeds within the country is, particularly in the case of groundnuts, bound up with the fortunes of the Vanaspathi industry and in the case of linseed, with that of the paint and varnish industry.

s Rs 1,204 crores with the share of rrency being Rs 912 crores and depo- s Rs 292 crores. There have been no gnificant changes in the rate of growth nd content of money supply though it ay be said that the additions to money upply have been taking place at a slightly ster rate in the current year. As ag- inst the rapid growth in the first half of 973 and 1974 the growth in money sup- ly in the latter half of 1973 was only Rs 15 crores against Rs 170 crores in the tter half of 1972.

No scientific attempt has been made so far to understand the implications of the changes in money supply in different parts of the year and assess also with some precision the impact of deficit financing on the growth in money supply. There is no doubt that the heavy doses of deficit financing in the past three years have accelerated the growth in money supply and created a larger demand for essential articles of consumption. It will perhaps be more correct to say that a high level of non-Plan and Plan expenditure by the central and state governments has led to competition for available physical resources and the rise in prices has been exaggerated in the absence of a corresponding increase in agricultural and industrial production.

It will therefore be recognised that the new measures now being adopted can at best result in a feeble slowing down of the growth rate in money supply and it remains to be seen how the central and state governments will avoid a bulge in the uncovered gaps without pruning drastically Plan expenditure. This procedure may lead to a reduced demand for cement steel, aluminium or other items. But it cannot be helpful in checking inflationary pressures in other directions without a higher level of output of agricultural commodities, cotton textiles, sugar or other items which are in demand but which are not available in the required volume. It cannot therefore be expected that a slowing down of the growth rate in money supply to 10 per cent annually can result in effectively checking inflationary pressures. Actually it has been overlooked that the process of monetisation of the economy by itself will be responsible for an increase in money supply by over six per cent annually. As the additions to currency with the public cannot be more than halved, the growth rate would remain at a minimum of 10 per cent even if there were no deficit financing.

The government has therefore to adopt positive measures for stimulating production of different types of manufactured goods and agricultural commodities. There may probably have to be larger imports of foodgrains and edible oils for making an immediate impact on the price situation. There will also have to be a determined attempt to overcome the shortage of power and coal and transport bottlenecks. If these three constraints could be eliminated within the next 12 months with a better use of available thermal capacity, an increase in coal raisings and an improvement in the operating efficiency of the railways, the war on inflation would yield better results than those expected from the half-baked measures now being adopted. No serious harm will be done to the economy in the short period by slowing down Plan outlay in some directions as the same results can be expected to be achieved through better use of the existing capacity in stratagic sectors. No useful purpose will therefore be served by creating confusion and holding out threats of further anti-inflationary measures. If there is no positive approach the moves now taken and those contemplated may well have a demoralising effect on the government itself while generating dangerous feelings of frustration in the national psyche.

Exports: a cheerful trend?

THE VALUE of exports during April-May this year, amounting to Rs 389 crores, recorded a rise of 23 per cent over exports in the same period last year. while this performance is encouraging in itself, it is too early to say whether it indicates a trend which would hold good over the year as a whole. However, in 1973-74 exports had registered an increase of about 23 per cent over 1972-73 and reached an all-time peak at Rs 2,411.3 crores. It may not be difficult, perhaps, for this country to attain the goal of Rs 2,500 crores in exports this year, although recessionary developments are feared in international trade, provided the tempo which has already been built up in our export promotion effort is further nursed and stepped up.

Even though considerable diversification in our exports has already taken place and the share of non-traditional items has been on the increase, the contribution made by traditional items is still of a dominating character, with jute manufactures, cotton textiles and tea continuing to account for large parts of our export earnings.

Export earnings from tea, however, have stagnated for many a year because of the subdued tea prices in the world markets. The fierce competition among producers has kept tea prices so low in the world markets that sometimes the unit values realised are not enough even to cover the cost of production. By taking a hint from the policy adopted by the Arab countries in regard to the sale of petroleum and petroleum products, an attempt has recently been made to bring tea producers together for adopting a strategy to increase the realisation of unit value on tea exports. The government of India has set up in the ministry of Commerce a special department to deal with export production and international trade. Its secretary, Mr S. G. Bose-Mullick, was recently in Rome where under the auspices of the Food and Agriculture Organisation (FAO) a meeting was arranged between major tea producers, namely, Kenya, Sri Lanka and India. A strategy was evolved by these three countries which has also been approved by the other tea exporting countries. The five major elements of this strategy are: (1) Fixation of a minimum price; (2) Restricted offering in the London market; (3) Fixation of export quotas for all countries so that there is no competition among producers; (4) Joint export promotional effort; and (5) Joint international market intelligence.

This strategy is already reported

have produced good results in the sense that, whereas tea was selling at 45 pence a kg last year, its price has now risen in London to 90 pence per kg. A study currently being made by a seven-nation committee will be reviewed after three months to see what further changes were necessary in this policy. The cost of cultivation of tea has increased because of the rising labour wages and the increased price of fertilisers, tea chests, chemicals, freights and furance oil. While there is no possibility of a fall in the prices of these inputs, tea prices may fall unless the producing countries hold together. Meanwhile, at a press conference in the capital recently, Mr Bose-Mullick was reported to have said that since the tea crop in Kenya this year was not as good as last year, this country would be able to earn through tea exports a little more than last year. Current estimates show that as against earnings of tea exports at Rs 165 crores last year the corresponding earnings this year might be around Rs 174 crores.

The situation in regard to the export of cotton textiles does not seem to be very satisfactory at present. This industry has been saddled with two obligations each one having its own penalty for non-fulfilment. For example, cotton textile mills are under an obligation to produce 800 million metres of coarse variety of cloth for the poorer sections of society. The penalty for non-fulfilment of the assigned target is as high as Rs 2.50 per metre. Similarly, the mills are under obligation to export 600 million metres of cloth. In this case, non-fulfilment of the export obligation imposes a penalty of 30 paise per metre. Thus, out of a total production of 4,200 million metres of cloth, as much as 1,400 million metres is penalty-ridden. The tendency among mills to opt for a penalty of low order is likely to hurt exports. The textile mills have offered an alternative proposal; if the government is really anxious to push up the exports of cotton textiles, it will have to provide incentives for making these exports competitive in the international markets. The domestic price of cotton being high, our textile mills find it difficult to compete in the international markets. Besides rationalisation of the penalty on coarse varieties of cloth as well as on export varieties, some cash incentives will have to be given to the industry so that it may be able to maintain its hold in the international market.

In regard to jute manufactures the position seems to be favourable. Even though the jute crop is expected to be lower this year in comparison with last year, the carry-over stocks will make up for the shortfall in production. If power shortage does not hurt the production of jute manufactures, there is every likelihood of raising jute exports this year from Rs 222 crores to Rs 275 crores.

The sharp increase in the prices of oilcakes has elevated their rank in our country's export list. In the nine-month period ending in December 1973, export earnings from oilcakes at Rs 120.4 crores were nearly three times the earnings in the corresponding period in 1973 mainly due to the sharp rise in prices. During the current year as well, exports earnings from oilcakes are expected to range between Rs 125 crores and Rs 150 crores. The other major foreign exchange earners are expected to be leather and leather manufactures, handicrafts and engineering goods.

Dacca's policy for investment

THE NEW investment policy, announced recently by the Bangladesh government, has several features similar to the policy followed by the government of India. As in our country, Dacca's policy gives a dominant role to the public sector, offers many incentives to the private sector, welcomes foreign capital and technology, and provides connessions for the development of backward areas. But there are considerable differences in the details of the investment policy of Dacca and Delhi.

For example, Bangladesh has reserved for the public sector 18 industries which are considered to be of basic and strategic importance. These include arms and ammunition and allied defence equipment, atomic energy, jute manufactures, textiles (excluding handlooms and specialised textiles), sugar, paper, iron and steel and so on. But, according to India's industrial policy, many of these industries such as sugar, paper and jute do not come in the strategic or basic category and therefore remain in the private sector. Dacca may have its own criteria for including certain industries in the public sector. But being a relatively new nation, the government has to take particular care to see that the public sector operates profitably and at a high level of efficiency. This, however, is not going to be easy, considering the fact that even in India, which has completed over a quarter century of indepencence, the working of the public sector has created many tough problems.

A notable feature of Dacca's new policy is its clarification regarding nationalisation. It says clearly that there will be no nationalisation for a period of 15 years. This categorical declaration is in contrast with India's industrial policy which contains no definite assurance whatever regarding the government's intention about nationalisation. New Delhi seems to have kept this matter deliberately vague so that it is free to take over any industry it likes according to its convenience. This approach may be all right for the government from the political or ideological angle but does it serve to create confidence in the private sector? It is true that Mrs Gandhi has repeatedly declared that the government of India has no intention to resort to indiscriminate nationalisation. But Dacca seems to have done the more sensible thing by incorporating a specific assurance against nationalisation in the investment policy itself.

Under the new policy, the limit on private investment has been raised from Taka 2.5 million to 30 million, an increase of 1200 per cent. This has become necessary because of the steep increase in the price level in recent years both in Bangladesh and in foreign countries. The government has explained that it has not suc-

:ded in enthusing entrepreneurs to ter industry in preference to trade and mmerce and therefore it hopes that ising the limit on private investment, ong with the various incentives, will lp to reverse this trend. It will, of urse, take time for the business com- unity of Bangladesh to switch over from ade and commerce to industry. But ie government expects this process to accelerated by the flow of foreign pital and technology.

Foreign investors have been offered nany facilities and concessions like the eedom to remit all after-tax dividend on oreign capital, 50 per cent of the net alary of foreign nationals subject to a naximum of £200 per month per indivi- lual, and savings from earnings, retire- nent benefits, and personal assets of an ndividual on retirement or termination of service. Foreign investors have been given protection against double taxation n respect of countries for which such agreements have been signed with Bangla- desh. Foreign equity participation will be confined to those industries where technical knowledge is not indigenously available or where high capital outlay is involved, or where industries are wholly export-oriented. But technical cooperation will be permitted in a wide range of industries. All foreign investment pro- jects will require the approval of the Investment Board set up by the govern- ment of Bangladesh.

Dacca's approach to foreign capital also seems to be broadly on the lines followed by New Delhi. It is obvious that Bangladesh will need foreign capital and technology for many years in order to speed up the development of her economy. Foreign investors will find in Bangladesh a vast market with a popula- tion of over 75 million and with an abundance of natural and other resources. Dacca, of course, will have to take care to ensure that foreign capital operates in the best interests of Bangladesh and that it actually helps the country to achieve self-reliance in due course. Mean- while, Dacca has to take energetic action to develop all types of infrastructure so that both the indigenous and foreign industrialists can operate profitably. Particular attention has to be given to the development of automobiles, shipping, air transport, telephones, generation and distribution of electricity as well as all kinds of transport so that the incentives and facilities provided to investors will have the desired effect in vigorously stimu- lating economic development.

It remains to be seen to what extent Dacca's new policy will succeed in attracting investors from various parts of the world. Foreign investors will judge their prospects in Bangladesh not merely by the fiscal and other concessions offered to them but by the extent to which Dacca will be able to maintain effectively law and order as well as con- trol the inflationary tendencies. The price level in Bangladesh is estimated to have increased by 40 per cent and the financial and foreign exchange resources also appear to be under severe strain. As a result, the implementation of the first Plan of Bangladesh has been considerably slowed down. The annual plan for 1973-74, the first year of the Plan, envisaged on outlay of Taka 525 crores but the expenditure is esti- mated to have been only of about Taka 400 crores. For the second year of the Plan (1974-75), an outlay of Taka 525 crores has been proposed but it seems doubtful if this target can be achieved in view of the acute scarcity of foreign ex- change, the shortfall in revenue receipts, and the declining trend in industrial production. Reliance on foreign aid for carrying out the annual plans is estimated to have risen to 75 per cent in 1974-75 from 60 per cent in 1973-74. In fact, Dacca's planning commission itself has drawn a rather pessimistic picture of the prospects of the economy of Bangladesh and, in this background, foreign investors will perhaps prefer to wait and watch how soon, and in what directions, the situation improves in the near future.

Dacca's new investment policy is, of course, of much interest to our country. But will our entrepreneurs be eager to go to Bangladesh so long as New Delhi does not clarify its attitude? Indians have set up joint ventures in many coun- tries of Asia and Africa and some of them have been working quite success- fully. But so long as anti-Indian senti- ment continues to prevail and is exploited by some parties for political purposes, the government of India perhaps may not wish to encourage our investors to go there nor will the latter be keen to do so. This will, of course, be unfortunate because there are many areas of the Bangladesh economy which offer consi- derable scope for development with Indian capital and skill. Under the Indo- Bangladesh agreement signed on May 16 this year by Mrs Gandhi and Sheikh Mujibur Rahman, India had undertaken to set up certain industrial projects in Bangladesh for the manufacture of cement, clinker, fertiliser, and sponge iron. Apart from these industries there is a wide area of economic activity where joint ventures will prove mutually beneficial. But in the present political and economic situation in Bangladesh the prospects for implementing such schemes do not seem encouraging.

RECORDS AND STATISTICS

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R. C. Ummat

Sivaraman Committee on Handlooms • Maintenance of Steel Plants

ALTHOUGH THE recommendations of the Sivaraman Committee, which was appointed in December last for undertaking an in-depth study of the problems of the handloom sector in the textile industry, are still being considered by the union ministry of Commerce, a consensus is understood to have emerged in the ministry that this sector should not only be protected from the inroads of the powerloom sector in the areas of production reserved for it but also encouraged to undertake the production of other categories of textiles, if it is to be made the prime sector of development in the countryside.

licensing of spindles

Steps have already been initiated to ensure adequate availability of yarn to this sector. The government licensed over 36 lakh spindles during the fourth Plan period. An equal number of spindles are expected to be licensed during the current Plan period. These licences will carry a stipulation that at least 65 per cent of the yarn production from the new capacity will have to be in the form of hanks.

It has further been proposed that the existing composite mills should be allowed to increase their spindlage to balance their spinning and weaving capacities, provided, of course, this does not reduce the availability of yarn supplies from them to the decentralised sector.

The integrated textile policy, which is understood to be receiving final touches in the ministry of Commerce and which is expected to be announced shortly, is also envisaged to ensure uninterrupted yarn supplies to weavers.

The question of adequate financial assistance to handloom weavers too is said to be engaging the attention of the government.

The major recommendations of the Sivaraman Committee on which decisions are expected to be taken soon are :

(1) The All-India Handloom Board should be activised and converted into a statutory board.

(2) A separate directorate for handlooms should be created in the ministry exclusively to look after the problems of this sector.

(3) A separate body should be created in the form of an all-India handloom research and design association for drawing up and implementing effectively a programme of research and development in the handloom industry.

(4) A programme should be drawn up for the training of weavers, especially for imparting to them technical and managerial expertise.

(5) At least 60 per cent of handloom weavers should be brought into the cooperative fold by the end of the fifth Plan period (at present this percentage is around 30).

(6) For the effective development of handlooms outside the cooperative fold, an intensive development scheme should be drawn up. Units of 5000 to 10,000 handlooms each in a compact geographical area should be taken under this scheme. Not more than 25 such units should be taken up during the fifth Plan period.

(7) The management of the technological institutions and the weavers' service centres should be entrusted to a separate body designated as the All India Handloom Research and Design Development Association.

(8) The production and adequate supply of yarn to the handloom sector is a basic requirement. The fifth Plan programmes should be directed towards substantially augmenting the production of yarn, especially hank yarn.

(9) The establishment of cooperative spinning mills should receive particular emphasis with a view to meeting the yarn requirements of the handloom sector, especially the cooperative sector, adequately. The yarn availability of mills managed by government should be linked reasonably with the requirements of handlooms outside the cooperative sector.

(10) Financial arrangements should be made with Industrial Finance Corporation and other agencies to ensure funds required for investment in these mills.

(11) Arrangements for adequate and timely supply of other inputs, such as dyes and chemicals, should be made.

(12) Schemes for modernising handlooms in the states should be taken up as a centrally sponsored scheme.

(13) Processing facilities should be developed in the centrally-sponsored sector and should be linked up with the marketing organisations being developed either through apex cooperatives or corporations set up by the states so that there is an effective link between production, processing and marketing.

(14) In cases where the central bank (cooperative) is weak and unable to obtain finance from the apex banks/ Reserve Bank, direct financing of the primary weavers' societies from the apex bank should be arranged.

(15) The norms set by the Reserve Bank of India are not excessively strict or onerous. The cooperative societies should observe the financial discipline laid down by the Reserve Bank and improve their own operating efficiency within the framework of the RBI scheme.

(16) The limits laid under the RBI scheme may be revised upward in view of the rising costs of production, etc.

(17) It does not seem necessary to

hich the Reserve Bank, besides an over-ll 25 per cent limit, allows an additional mit on holding of stocks.

(18) Nationalised banks should be per-uaded to finance handloom weavers overed by the proposed intensive deve-opment programme under the differential nterest rates scheme.

(19) The RBI should follow the policy of making the credit to the handloom co-operatives effective and, for this purpose, should bring in various methods which nave been inducted in the field of agri-cultural credit.

(20) The supply of yarn and arranging for the marketing of produce in the area covered under the intensive programme should be the main lines of activity of the handloom finance and trading corpo-rations. They should obtain ways and means credit from scheduled banks, out-side the plan frame, for their trading operations.

(21) The apex societies must take responsibilities for supply of yarn for a reasonable percentage of weavers' require-ments and arange to market at least 50 per cent of the production of the primary weavers' societies.

(22) The state owned corporations/ emporia should deal with the marketing of the produce of the individual weavers.

(23) Apex societies and state corpora-tions should be given a subsidy for putting up their showrooms. A managerial sub-sidy should also be given for a period of three years on a tapering basis. The expenditure should be shared by the centre and the states.

(24) The rebate subsidy may be phased out over a period of three years by taper-ing it off annually.

(25) A common facility service centre, equipped with improved machinery, may be provided for an area covering 500 to 600 looms engaged in export orders.

(26) Research should be undertaken and facilities should be developed for post-loom processes, like pre-shrinking and finishing, etc.

(27) The problem of getting a large number of experienced cutters, designers and production managers should be examined and a suitable training scheme formulated for their training in the latest techniques.

(28) It is necessary to develop, under an export-oriented pilot production scheme, 50 production units in important hand-loom centres in the country which are now contributing to the export market which have highly qualified handloom weavers. Supplies of yarn, credit and marketing of production should be ar-ranged by each centre. Funds for moder-nising equipment, pre-loom processing and post-weaving finishing facilities and for training of weavers should also be arranged by the centre.

(29) The handloom industry needs special protection, as the handloom pro-gramme is one of the most important programmes for raising the lowest three deciles of the population to minimum consumption level, besides being the extremely important means of rural employment, providing a living wage.

(30) Powerlooms which have taken advantage of their favoured position in the excise structure, should be brought on par with the organised mill industry and excise duties on powerloom cloth should be suitably revised and a tax structure evolved which will act equitably and in favour of the handloom sector.

(31) Additional revenue realised from additional duties on powerlooms should be utilised for the development of the handloom sector.

(32) The system of "Texmark" for powerloom cloth should be re-introduced.

* *

In view of the anticipation that the annual requirements of maintenance spares of the present five public sector steel plants—the four integrated steel plants at Rourkela, Bhilai, Durgapur and Bokaro and the alloy steel plant at Durga-pur—would go up from an average of Rs 27.43 crores during the five years to 1972-73 to as much as Rs 59.23 crores by 1979-80, the Steel Authority of India (SAIL) is understood to have decided to set up a central workshop to produce particularly those spares the availability of which from the indigenous sources is unlikely to go up significantly or which are imported at present.

Currently, the annual requirements of spares of these plants are met to the extent of about 42 per cent from the workshops of the plants themselves and nearly 36 per cent from the other engineering units in the country, both public and private. Approximately 22 per cent requirements are being met through imports. By 1979-80, the workshops of the steel plants are expected to raise their production (from Rs 11.67 crores in 1972-73) to about Rs 23.07 crores. They will, thus, be accounting for about 39.5 per cent of the total require-ments of spares. The production of other engineering units is expected to go up from Rs 9.76 crores in 1972-73 to about Rs 22.54 crores. This will account for approximately 37.5 per cent of the require-ments. If the proposed central workshop is not set up, it is feared that imports in 1979-80 will have to be effected to the extent of about Rs 13.62 crores. Cur-rently they cost about Rs 6 crores. In the absence of additional manufacturing capacity being set up, the imports of maintenance spares for steel plants, thus, will go up not only quantitatively but also in percentage terms.

central workshop

The proposed central workshop will be required to produce primarily the medium and heavy range spares, as the other two categories—the light and light-medium spares and standard listed products—it is felt, would be available from small-scale industries. Of course, the capacity of these industries will have to be augmented a great deal.

For the medium and heavy spares, the steelworks at present have to depend pri-marily on imports, the heavy engineering complex at Ranchi and some other large-scale engineering units, both in the public and private sectors. The Ranchi complex as well as the other large-scale units do not seem to be enthusiastic about carrying on this activity on an expanding scale. The experience till now has shown that they prefer manufacture of equipment to the production of spares.

Some imports, of course, have to be made perforce because the drawings of the spares are not available. At the beginning of 1973, out of an estimated 19,603 drawings, the availability was of the order of only 12,583 drawings. In the case of the Bhilai steel plant, drawings were available for about 63,680 spares, as against the estimated requirements of 80,875 spares. The position in regard to the Durgapur integrated steelworks was even worse, as out of nearly 51,939 draw-ings needed, the availability was just of the order of 20,641 drawings. In the case of the Durgapur alloy steel plant, slightly more than half of the drawings were available—21,930 out of 40,000. Efforts are being made to develop indi-genous drawings to the extent possible.

If some of the existing steel plants are expanded according to their present schedules, the requirements of spares by 1979-80 would exceed even the above estimates.

A new international economic order?

I. G. Patel

This is the text of Dr I. G. Patel's observations on the problems and prospects of international co-operation in his V. K. Ramaswami Memorial Lecture, 1974, delivered in New Delhi on July 25, under the auspices of the Indian Statistical Institute and the Delhi School of Economics. Dr Patel prefaced these remarks with a moving tribute to Ramaswami's intellectual and social qualities.

OF LATE, and particularly after the recent special session of the General Assembly of the United Nations there has been renewed optimism in regard to the future of international economic cooperation. And it is at least opportune and appropriate to ask: "Are we really witnessing the birth of a new international economic order? If so, what are likely to be the characteristic features of such a new order? And what challenges and opportunities is it likely to hold for a country like India?"

Now in a sense, our vision of a new international economic order has been a relatively simple affair. Basically, what we have been trying to achieve since Brettonwoods, through the United Nations UNCTAD, GATT and the like is to translate into international economic relations the kind of objectives and policies which have become the accepted norm for relations between groups within nation states in all modern societies. No matter what a modern state describes itself to be, it pays at least lip service to the same ideals and objecetives in the economic sphere, viz.,

(a) to a minimum standard of living and a modicum of economic security for all its citizens;

(b) to achieve these ends, acceptance of a deliberate policy of development as well as redistribution; and finally,

(c) irrespective of the needs of a basic minimum and economic security for all, to a certain restraint on economic power per se so that it does not become the instrument of political or cultural domination.

The search for a new international economic order over the past three decades since Brettonwoods has meant simply this; that the responsibility for achieving the goals of a basic economic minimum and of economic security and freedom from economic domination in any given country should not be that of the citizens of that country alone; it must be shared by the international community at large. What is even more important, this sharing of responsibility internationally should take the same concrete form as what has come to be accepted more or less universally in the context of national policy, viz., deliberate promotion of economic development, redistribution of income and wealth, and a systematic democratization of all economic institutions.

Needless to say, the New International Economic Order, as just outlined, is not yet there and will never be there in all its glory; nor is it even fully perceived to-day. But it is important to ask: how far are we likely to proceed in the new directions in the near future and how can we, in India, for example, take advantage of the new situation by a little foresight? This is what I propose to do during the rest of this talk. And for reasons of convenience, I will organize my remarks around the following broad topics.

(a) Prospects for the redistribition of international wealth;

(b) Commitment to economic security;

(c) Prospects for a minimum standard of living for all; and

(d) Democratisation of international economic relations.

In the course of the discussions, I will also attempt to draw a few general lessons for us in India. But the scope of discussions on a subject like the New World Economic Order is so wide that I will have to be selective and assume that most of you are reasonably familiar with the functioning of the present international economic system and with the discussions on how to reform it.

prospect of redistribution

There is no doubt that both at the national and the international levels, a better distribution of income and wealth has received of late much greater attention. But are the prospects for a significant redistribution of international wealth more promising now than they have been for some time?

Foreign aid is by no means the only or the main instrument of a deliberate policy of international redistribution of wealth. But it is certainly the one which has received the most attention. Ideally again, the total quantum of foreign aid and the manner in which its costs and benefits are distributed among different nations should be governed by the same principles which guide national policies of income-taxation and the distribution of expenditure among different groups and purposes. Up to a point, an attempt has already been made to apply these principles to the sources and flow of foreign aid. Thus, the prescription of the target of one per cent of GNP, the attempt to define contributions to IDA not on a voluntary basis but in terms of rough equivalence with IMF quotas which at least to some extent reflect relative wealth or economic strength and the attempt again in IDA to decide on objective criteria the countries which would be entitled to IDA financing as distinguished from World Bank financing are at least deliberate efforts to devise a conscious policy of international redistribution.

More, recently, the UNDP has carried this process an interesting step forward. It has attempted to define the share of

ch of its more than 125 recipient mem-
rs in the total assistance likely to be
ailable over a coming five-year period,
z. 1977-81, on the basis of precise and
jective criteria, primarily population
nd per capita income. Despite the un-
oidable simplicity of precise function
nd formulae which cannot take into
ccount all relevant factors, a decision
as been all but reached on the absolute
s well as relative share of each recipient
y agreement among all concerned. The
ssumptions regarding availabilitv of
esources over a five-year period themsel-
es imply an exhortation to donors to
ncrease their contributions at a certain
ate. Something like an international
arliamentary democracy has certainly
een successfully at work in the UNDP's
fforts at arriving at what are called Five-
Year Indicative Planning Figures for each
ecipient member.

lacking momentum

But having said this, I hasten to add
hat the process of international redistri-
bution through foreign aid or transfer of
resources has hardly begun and has even
failed to gather momentum. We are far
from achieving even the one per cent of
GNP target of aid much less the 0.7 per
cent GNP target for official aid; and
while most industrialised countries now
at least subscribe in theory to this target,
these do not include the most important
countries including both the US and the
USSR. When one recalls that in most
countries today the process of resource
transfer internally through taxation ac-
counts for anywhere from 20 to 30 per cent
of GNP, the failure to achieve even the one
per cent of GNP target internationally is a
grim reminder of how far removed we re-
ally are from anything like World Govern-
ment. Nor is there any significant trend
towards either multilateralisation of aid
or to its commitment over a number of
years. The recent experience of IDA
denotes, if anything, a retrogression. The
xample of the UNDP while interesting
s not all that significant as the resources
nvolved are sufficiently small to permit
he luxury of an agreed rate of growth
r an agreed pattern of distribution
ithout serious impairment of anyone's
arger interest. It is doubtful if reci-
ients on their own would agree on
elative shares if what was involved was
he distribution of not just 400 or 500
illion dollars per year of technical
ssistance but, of say 10 or 12 billion
ollars of capital assistance. And even
the UNDP, there is no agreement
mong donors to define their relative and
absolute contributions in accordance with
some objective criteria.

Surprisingly, the recent oil crisis seems to have won over some strange converts to the cause of international redistribution. After the recent sharp increase in oil prices, it became a fashion in some quarters to ask whether a few countries were entitled to monopolise strategic resources and whether such resources should not be exploited and controlled by international entities. I say these voices came from strange converts because they were not heard earlier to demand that the unequal distribution of land among nations, for example, should be mitigated by free migration or by international control over the produce of land. Be that as it may, there is no doubt that a new dimension has now been added to the urge for redistribution of international wealth. The demand now is not that just wealth in general should be shared, but also that particular forms of wealth representing good fortune or bounty of nature should also be shared. That is why the oil producing nations are exhorted not merely to compensate the poorer countries affected by higher oil prices, but also to go beyond that in supporting the developmental efiorts of the poorer nations. That is also why it makes sense to ask the USA, Canada and Australia, to contribute specifically to food security, or to insist on the resources of the sea to be exploited for the common good rather than for the benefit of those who are economically and technologically in a better position to exploit them. The Soviet Union's insistence on devoting a part of the savings from disarmament to developmental assistance is an aspect of the same urge.

revolving fund

More recently, this idea has also been incorporated in the UN Revolving Fund for Natural Resources which was established early this year. Countries receiving assistance from the Fund for exploration of their natural resources will receive assistance neither by way of grants nor by way of loans. The terms, in fact, would be conditional ones. If the country fails to discover any commercially exploitable natural resources as a result of the assistance from the Fund, it will in fact pay nothing to the Fund. If on the other hand, it does discover something, it will share this good fortune with the developing countries in general by contributing to the Fund a certain percentage of the value of the additional production over a number of years.

Unfortunately, there is no reason to believe that an appeal to share a particular form of wealth or good fortune would be more successful than an appeal to share wealth in general. But perhaps there is something in continuing to knock at every door; and a country like India which is not all that rich in natural resources has certainly a great stake, for example, in ensuring that the wealth of the sea is not sequestered by powerful nation states as has been the case with the wealth of the land.

element of compulsion

Going beyond that, can one see in recent events the possibility of the poorer countries compelling the rich to part with some of their wealth rather than persuading them to do so? The example of the OPEC countries is already being followed by the aluminium producers. Cannot all raw material producers follow the same pattern of combining for monopolistic behaviour? I for one remain highly sceptical of the bargaining power of raw material producers being deployed as an instrument for international redistribution in the right direction.

While one can get away with one or two commodities of crucial importance, the attempt to improve the terms of trade for all raw materials dramatically will only lead to corresponding adjustment in other prices and, therefore, in another upward twist to world inflation. Even within a nation, the attempt of any group to improve its relative position to any significant extent is almost always frustrated by the countervailing action of others and results only in inflation; and the same is true internationally as well. And we in India need hardly to be reminded that when it comes to the dividing line between wealth and poverty, it is certainly not coterminus with the dividing line between the abundance of strategic raw materials and their absence. It is tempting to think that even if this policy of raising the prices of raw material succeeds only in a few cases, it can bring about a significant redistribution from the rich to to the poor. This can be so if the relatively poor who suddenly become rich share their good fortune more readily and extensively with others than the rich have done so far. But in this age and day, Robin Hoods are hard to come by; and

the quality of mercy is evenly and rather thinly distributed all over the world.

In short, any significant redistribution of the wealth of the world does not seem probable either through foreign aid or the sharing of particular good fortune or through the exercise of collective bargaining. If it comes about, it would be more through differential rates of growth—and perhaps through the bonus that inflation gives to all debtors. But the fact that things are not likely to be much better does not mean that they cannot be much worse: and we in India are so particularly vulnerable that we cannot afford to let down our guard in any forum where issues germane to possible redistribution of income are discussed.

economic security

Coming now to economic security, internationally, the post-war search for economic security as distinguished from economic progress began with the establishment of the International Monetary Fund. The ability to create international reserves was intended primarily to enable nations to avoid deflationary policies or to slow down development plans in the face of temporary difficulties; and international surveillance over exchange rates, monetary and fiscal policy and exchange restrictions, was intended to prevent essentially beggar-my-neighbour policies. In the event, the facility to create reserves proved to be of only marginal use at least to the developing countries: and the bias against flexible exchange rates as well as periodic surveillance of internal policies of debtor nations by the Fund themselves proved important sources of instability. Despite the recent efforts to reform the international monetary system, there is little evidence that developing countries as a whole will now have much greater or readier access to internationally created reserves. The change that has really taken place—and it is mainly a reflection of the change in the US position—is that flexible exchange rates have come to stay and the rather dogmatic and doctrinaire surveillance of internal policies of member countries by the Fund in case of need will not hold the same terrors at least for some time to come.

If there is any moral in this for us in India, I would say that the outcome of the recent attempt to reform the international monetary system emphasizes once again that there is no real substitute for owned reserves as against borrowed reserves—as our own experience during the Bangladesh crisis showed. On matters like what level of foreign exchange reserves we should have, we need to raise our sights considerably. Our objective, at least when times are good, should be to have foreign exchange reserves well in excess of, say a billion dollars. And what is true of foreign exchange reserves is equally true of reserves in real terms, i.e., of reserves of food and essential raw materials.

I would say also that we should emphasize more and more our need for flexibility when times are bad not in terms of our right to borrow more as in terms of our right to repay less. And let us not forget that when it comes to temporary relief through postponement of repayment, a part at least of the initiative rests with us rather than with others.

I think it is time also that we practise real exchange rate flexibility from time to time and learn how to let the rupee float and to control the float as and when necessary. The present practice of a link either with sterling or the dollar does not let the rupee respond to the needs of our own economic situation; nor does it give the Reserve Bank or the commercial banks the opportunity to develop the kind of expertise and experience they need to cope fully with the age of flexible exchange rates which, as I said, is here to stay.

raw material prices

As far as international trade is concerned, the search for economic security has focused mainly on the instability of raw material prices or more generally on the declining terms of trade for primary producers. In a sense, the recent special session of the General Assembly had this as its main theme, viz., how to assure primary producers a reasonable price. But the fact of the matter is that there has been no progress made, nor is any significant progress likely, in regard to international action to support raw material prices in general. Commodity agreements are few and not waterproof; there is no stabilization fund internationally put together nor even a yardstick to determine what would be a reasonable price that can be stabilized. The fact of the matter seems to be that international support to raw material prices raises essentially questions pertaining to international distribution of wealth to which no serious answers have been or can be realistically attempted.

An aspect of international action to promote greater economic security which has recently been receiving attention may also be noted. Last year, when food production and food stocks were unusually low and when conditions of famine prevailed over large parts of the world, it became clear that the world needed on an average much greater stocks of essential foodgrains. There was a general feeling that the earlier policies of giving up price supports or restricting production in some countries may have to be abandoned. What is equally important, it became abundantly clear that in bad times at any rate, there must be some international supervision of commercial sales as well as resumption of food aid on a significant scale.

urgency of need

When it comes to a basic necessity like food, it is not purchasing power or superior market intelligence alone that should decide the distribution of available supplies. Urgency of need should also prevail at least to a reasonable extent if mass starvation and deaths are to be avoided. Indeed questions were asked last year whether we can afford to feed more and more grain to cattle in order to raise meat consumption in the richer countries, including the socialist countries, when millions of human beings are facing starvation and worse for want of adequate foodgrains. On similar reasoning, there is need for some machinery to ensure an equitable distribution of key materials like fertilizers in times of scarcity.

It is against this background that the UN decided to hold in the autumn of this year a World Food Conference. I would not like to anticipate the results of the World Food Conference. In matters like this, it is always a good policy to work for the best and assume the worst in guiding one's own actions. But I would like to urge that, as a nation, we have a great stake in this conference as indeed in continuing to keep this matter of food and fertilizer security on the international agenda even after the conference. Insistence on our part on international action to promote food or fertilizer security should not be interpreted as a departure from our policy of self-reliance. By now it should abundantly be clear to everyone that for us there can be no real alternative to self-sufficiency in foodgrains or fertilizers. But recent exprience also shows that when it comes to a basic necessity like foodgrains, there is really little or no scope for tightening belts and the supplies

ded have to be imported at any cost. ere is no reason why we should not eavour to ensure that imports when ded, whether of foodgrains or anyng else, are available on as favourable ms as possible. Nor is there any point overlooking the fact that food and tilizer diplomacy will be an important rt of our external relations with a large mber of countries over the next several ars.

International conferences and resolons, even when they do not result in ncrete international action, have this erit at least, viz., that they facilitate r bilateral diplomacy. To my mind, is has also been the main gain of the cent special session of the General ssembly in regard to our requirements petroleum products. While the Special und for the benefit of the countries most fected by the energy crisis may or may not me about, there is no doubt that our ilateral diplomacy has been greatly ssisted by the success of our international iplomacy at the special session; and the JN forum, from this point of view, holds special value for a country like India hich is non-aligned not only politically r ideologically but also in terms of eography and religion.

depletion of resources

There is yet another aspect of econonic security which is coming into prominence of late. I am referring to he feeling among many countries, particularly those left behind in the race for economic progress, that they must somehow be protected against the danger of serious depletion or exhaustion of vital natural resources around the world before they have had time to achieve their real economic breakthrough. The fear is prompted by the impetus given by the Club of Rome to the idea that there are definite limits to growth. This is not the place to debate the merits of the thesis that non-renewable natural resources constitute a serious potential constraint on world economic growth. But the important point is that a growing number of influential people around the world are coming to believe in it. His Imperial Majesty, the Shahenshah of Iran, for example, has repeatedly made it clear that what he is really after is conservation of the world's oil supply for really essential uses such as production of fertilizers as against excessive heating or air-conditioning. It is felt that without such conservation, countries like Iran will be confronted with a serious energy situation of their own before they have achieved even a modest standard of living for all their people.

It is difficult to see what action can be taken internationally to promote conservation or avoidance of waste. But I for one would advocate, for this and other reasons, that we create public opinion in favour of the richer countries moderating their standards of consumption. I am aware of the general belief that higher demand from the rich nations creates growth and employment opportunities among the poor nations. But it creates much else besides, including false standards and unfavourable terms of trade for countries deficient in natural reasources.

scientific growth

In any event, ultimately, there is more economic security—and also growth—in science and technology than in anything else. So far, the efforts of the UN, mainly channelled through the UNDP have been by way of technical assistance narrowly interpreted, i.e., by way of transfer of existing technology and building up of national technical institutions rather than assistance for the actual development of new or more appropriate technology. The emphasis is now changing, although slowly; and countries like India have a special interest in encouraging UN efforts to promote international action to harness science and technology from the point of view of developing countries The traditional forms of technical assistance are becoming less and less relevant to countries like India, Egypt or Brazil; and unless they take the initiative in defining what new approaches are neeessary to suit their needs, they would soon close one possible door of assistance that has been open to them so far.

So much for economic security. May I now turn to the prospects for achieving a minimum standard of living for all persons all over the world?

It is now commonly recognised that it is not enough to describe our common economic and social goals in terms of a certain rate of growth in GNP per annum or even in terms of an over-all GNP per capita. The requirement of civilized existence must be broken down into its essential constituents such as nutrition, health, hygiene, salutary environment, good drinking water, shelter, education and vocation in life, access to culture, leisure and so on: and each of these aspects must be assured to each individual not by inference or as an indirect consequence of a certain general rate of growth of the economy but by conscious and direct action, if necessary.

Internationally also, this emphasis on the quality of life in its manifold splendour has been gaining renewed momentum. I say renewed momentum, because in a sense the United Nations itself began in a very creative and imaginative mould in the early post-war years when it created an Organization for Education, Science and Culture, another for Children, one for Food and Agriculture, another for Health and so on. Gradually, however, these specialized UN agencies lost in glamour and prestige in comparison with strictly economic agencies like the World Bank. But the pendulum is beginning to swing again. In the United Nations itself, the social and larger cultural and other aspects of a decent minimum standard of life are receiving greater attention.

World Bank interest

The World Bank itself is taking a more active interest in education, population, housing, rural and urban water supply, etc; and under Mr McNamara's leadership, the Bank has come much closer intellectually and operationally to other UN agencies such as the FAO, the WHO and the UNESCO. The UNDP which has a kind of coordinating role in providing technical assistance within the UN system as a whole now disburses a respectable amount of assistance per year among some 130 countries. And although neither the International Strategy nor the Programme of Action for the New International Economic Order define concrete goals in the area of nutrition or health or education around the world, there is an intention at any rate that this should soon be done.

Having said this, one must regretfully add that notwithstanding the growing awareness of the importance of each aspect of civilized existence, there has been no real move so far to equip the agencies such as the UNESCO and the FAO adequately to enable them to perform their highly valuable tasks all over the world. The financial resources available to them are meagre by any standard. Their role is artifically restricted to just technical assistance;

and with minor exceptions like the World Food Programme or the UNICEF, none of the agencies has resources enough to undertake what may broadly be called capital or financial assistance. Even such resources as all the UN agencies put together have—and these do not add up to even a billion dollars per year—are contributed year by year by way of voluntary contributions with all the uncertainties they entail. Ideas such as levying particular taxes to support particular institutions, e.g. a tax on tobacco to help the WHO to help eradicate diseases around the world and to build hospitals, or a tax on liquor to provide better nutrition to children all over the world or a property tax internationally levied to clear slums everywhere—these are not at all in the realm of practical politics in the near future; and the international commitment to a minimum standard of living so far is more in words than in deeds.

On the other hand, it is perhaps worth reminding ourselves that actual economic achievements around the world over the past twenty-five years have far surpassed our expectations; and the ancient enemies of hunger, want, disease and malnutrition are being decisively eliminated from country after country. In Europe, even Spain, Portugal and Turkey let alone Italy or eastern Europe have all but assured a decent minimum to all its people; and it is only a matter of a few decades before this would be equally true of Latin America and large parts of Asia and Africa as well.

invidious comparisons

Comparisons are always invidious but the remarkable fact is that thanks to national determination, natural bounty, scientific progress and to some extent, at any rate, international assistance, there are only a few countries even in Asia and Africa where the outcome of the economic struggle is not clearly weighted already in favour of a distinct and not too distant hope. As far as the new international economic order, therefore, is concerned, I do not see much reason to be pessimistic at least on this score of a minimum standard of living. But the reasons for this stem more from the record of economic achievement over the recent past than from a faith in accelerted economic cooperation among nations in the years to come.

What about the chances of the diffusion of economic power so that it does not remain a serious threat to the political and cultural independence of nations, particularly, the small and the weak ones? There has certainly of late been greater insistence on the democratisation of our international institutions such as the World Bank, the IMF and even the UN. The general desire among the developing countries evidenced at the recent special session of the UN not to entrust any new special fund for assisting the most affected countries to the IDA or the IMF is in reality a reflection of their dissatisfaction with the voting pattern and the decision-making process in the Bank and the Fund. This dissatisfaction is shared also by a growing number of industrialised countries, particularly the Scandinavian countries and the Netherlands. And the establishment recently of a permanent Committee of Twenty to straddle over both the Bank and the Fund and the growing tendency in the Bank, the Fund as well as the UN to take decisions by consensus rather than actual voting would indicate that the struggle for democratisation of our international economic institutions is not altogether in vain.

unrealistic assumptions

But it would be unrealistic to think that this process can ever go very far. At the national level, it was the democratisation of the political institutions—and particularly, the system of one man, one vote—that ultimately led to policies of growth, security, redistribution and restraint on the economic power of the few. At an international level, we have no such political machinery with the power and compulsion. No matter how democratic the functioning of the World Bank or the IMF or the UN may become, that cannot change the decisions of the US Congress or of other legislative bodies. And in fact, as long as the international economic institutions have to depend primarily on the voluntary support of the richer nations, they are bound to look over the shoulder to make sure that they do not offend the rich no matter what the rules of procedure say. This is true as much of the UN or the UNDP as it is of the World Bank. Consensus often means a veto for the powerful—and sometimes even for just the vociferous and the cantankerous; and even as a voting system, one-country-one-vote is not much more rational than one vote for every billion dollars worth of wealth.

At the same time, there is no use denying that the threat of the economic power of the few being used for cultural, political or even economic domination of the many has distinctly receded. This has happend, however, because economic power itself is shared now by many countries, because even the smallest and the weakest nation has grown in its determination to uphold its freedom and dignity and above all, because of the political climate of detente. One could not have imagined only a decade or so ago that the oil producing countries could have secured what they now have without inviting retaliation and even perhaps military intervention. But Suez changed all that and Bangladesh confirmed the change. And at least in this respect, a new international economic order is already upon us.

paper tigers

The change is nowhere more in evidence than in the widespread acknowledgement that multinational corporations have to accept certain norms of behaviour and that they certainly are not beyond the jurisdiction of national sovereignty. The international oil companies have turned out to be mere paper tigers; and complete national sovereignty over natural resources, unless one means by it the right to expropriate without compensation, is no longer seriously disputed by anyone.

But perhaps one should also add that in respect of multinational corporations, two other changes are also taking place simultaneously which would restore the balance so to speak and help in evolving a mutually more rewarding and comfortable relationship of ease. The first relates to the fact that while the role of the multinational corporations as providers of capital and as centres of economic power is being steadily under mined, their contribution to the evolution of management skills and better technology is being increasingly recognised including recognition from the socialist countries. Secondly with the new found wealth of the oil-rich countries, they too are becoming important partners in multinational corporations, and in some cases setting up their own giant corporations which operate in several nations. When it comes, therefore, to protecting their legitimate rights, such as those for reasonable compensation in the event of nationalization, the multinational corporations now will have new allies.

To a certain extent, the emergence of the oil rich countries on the world financial scene will certainly make for a greater

egree of democratisation of our inter-ational institutions. Whether or not we ave a new UN Special Fund for assis-nce to the countries most affected by he oil crisis, countries like Iran and Ve-ezuela will soon gain a greater say in he affairs of the World Bank, the IMF nd the regional banks. It is true that when countries like Iran and Venezuela re, so to speak, given their due in in-ernational agencies the power structure n them will still reflect relative wealth ra-her than anything else. But it is in the nature of power that the more widely it s shared even at the top, the less arbitra-ry it is likely to be. And for the develop-ng countries, there is certainly safety in the fact that the number of potential do-nors — and effective decision-makers — has now increased substantially.

importance of socialist countries

The one major lacuna that still remains in our structure of international economic cooperation is that it still does not reflect the emerging importance economically of the socialist countries, notably of China and Russia. Neither of them is a member of the Bank or the Fund, and although both of them are now members of the UNDP, for example, there are difficulties in absorbing them into what has hitherto been regarded as the necessary framework for a truly international or multinational assistance programme. The Russian contribution to the UNDP, for example, is unutilized to a considerable extent; and similar difficulties are now being experienced in regard to China. The situation is by no means parallel in the two cases. But basically, the problem arises at least in part because as a multilateral agency the UNDP has hitherto felt that it cannot give turn-key jobs to particular countries but must operate on the basis of an internationally assembled team of experts (and assortment of equipment) after giving everyone an equal chance to bid.

There is, however, something odd about insisting that a pattern of behaviour which somehow cannot absorb the characteristic mode of operation of almost one fourth of the human race is still the truly international or multilateral pattern. A way can and must be found to unable Russia and China to play their part internationally without their violating the basic principles on which their societies are based. For example, if the UNDP can subcontract a particular peace of work to a firm in the US or Germany, what is wrong with its so doing with a department or agency in China or Russia? In other words, even now, experts and equipment are so to speak bulked together for purposes of international competition; and all that we need to do is to recognise that in the Chinese or the Russian — or for that matter the Indian — context a government agency or department is the exact counterpart of a subcontractor in the capitalist countries.

I mention this aspect of the involvement of China and Russia at some length as it is of crucial importance, if there is to be a new international economic order, that we find a sensible way for these countries to take their place economically in the international order as they have now done politically. If the UNDP can set an example in this regard, it will certainly pave the way for the socialist countries to join the Bank and perhaps even the Fund and the regional banks in due course.

no obstacle

There was a time when it used to be thought that it is the discipline implicit in internal monetary and fiscal policy as also in trade and exchange policy under the IMF charter which inhibited socialist countries from joining the World Bank — as membership of the Fund is a pre-condition for the membership of the Bank. But recent events would seem to suggest that the disciplining role of the Fund need not hold the same terrors as before; and, in any case, the time has certainly come to break this prenatal bond between the Fund and the Bank. There is no reason why membership of the IMF should be a pre-condition for membership of the World Bank. I would personally hope that a greater degree of separation of IDA from the Bank will also soon be a reality. Be that as it may, the socalled "bilateralism" of the socialist countries has also hitherto been regarded as an obstacle to their integration into existing international institutions like the Bank and IDA. It is here that clear thinking and a practical demonstration of its workability as indicated a little earlier on the part of the UNDP can earn much larger dividends for the cause of international economic corporation in general.

change afoot

This has been a rather long and somewhat rambling safari into a terrain which, I hope, has not been alltogether unfamiliar to you. At any rate, I earnestly hope that I have at least succeeded in conveying my main point, which is this: nothing remains static in national or international affairs; and whether there is a new wind blowing in new directions and heralding a new world order or not, there is certainly a great deal of change afoot and a great deal of effort internationally to give these forces of change a constructive and cooperative edge. We in India can be indifferent to this process of international change and reform only at our peril. Let others write the judgement of history on the efforts to establish a new international economic order. For us in India, there is more gain and excitement in being an active participant in the process rather than a detached judge; for, if I may paraphrase what I have already said a few moments ago, if there are limits beyond which nations cannot rise when it comes to mutual cooperation, their certainly are no limits below which they may not sink; and fortunately, trying to to put others on their best behaviour wears off at least a little on ourselves.

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How to economise petrol-I

London

Josleyn Hennessy

WINDOW ON THE WORLD

I

Current Experiments in Europe and the USA

THE WORLD oil shortage has focussed attention not only on the problem of energy supplies but also on the opportunities for energy conservation. The OECD has launched an inquiry into the impact of the motor vehicle on the environment, which is currently assessing the feasibility and environmental effects of alternative methods to reduce the use of cars in urban areas. A report by C. Kenneth Orski of the OECD's Environment Directorate published in the latest issue of the OECD *Observer* examines the possibilities for economising fuel in transport.

Although the current fuel crisis cannot continue indefinitely, it is certain that there will be no return to the *status quo ante*. Conditions will call for new public policies and basis changes in private attitudes towards the consumption and economic use of petroleum.

Nowhere is the need for fuel economy more evident than with the motor car. In 1971, cars consumed 13 per cent of all petroleum used in Europe and 29 per cent in the USA. Cars were responsible for 44 and 54 per cent respectively of petroleum requirements of the entire transport sector (See Table 1). The volume of oil used by passenger cars reflects not only their numbers but also the high energy intensiveness of this personal mode of transport. The fuel efficiency of cars is amongst the lowest of all forms of transport: under certain conditions a heavy luxury car can be almost as wasteful of fuel as some types of commercial aircraft. What is more, cars, along with the rest of the transport sector, are singularly dependent on petroleum. These facts make it essential to seek ways of economising the consumption of fuel by cars.

Several emergency measures have already been taken.

Sunday driving bans (introduced in Holland, Belgium, Italy, West Germany, Switzerland, Norway and Denmark) are easily enforcible and cause relatively little dislocation in industry, although they hit recreation and highway-based service industries, particularly weekend resorts. Public dissatisfaction is likely to develop if the ban is prolonged into the warm spring and summer months.

Other less restrictive restraints were adopted in Austria; West Germany and Greece, where each car was banned from the road every other weekend depending on whether its registration number ended with an odd or even digit. Even more flexible arrangements are possible, e.g. every driver could be required to keep his car off the road on one or more days a week of his own choosing, a windshield sticker indicating which day.

A valuable benefit of the ban on driving is to reduce air pollution. In Brussels it was found that levels of nitrogen oxides decreased by 75 per cent and of carbon monoxide by 90 per cent. (Hydrocarbon and sulphur dioxide levels remained unchanged.)

Control of the supply and distribution of petrol may take several forms: a weekend ban on sales (Norway, Italy, Austria and the UK), legal limits on the amount of petrol sold to customers at a single time or mandatory fuel allocation: this is a simple, effective way of limiting petrol consumption, but it raises questions of political judgement and equity, e.g., how does one make a fair choice of the amount to be allocated to large cities, which have rapid transit systems, and to smaller cities, which rely almost exclusively on the automobile? How to distinguish between essential and non-essential driving? While reduction of 10/20 per cent in car use could probably be achieved without undue disruption in most people's lives, the tourist and other leisure industries have come to depend on people's discretionary driving. It is one of the paradoxes of modern life that many "non-essentlal" activities have become essential for large numbers of people.

petrol rationing

Many governments have considered rationing. Sweden, Norway and Holland imposed petrol rationing for a short time in January, 1974.

The arguments for rationing are that everyone is assured of getting at the regular price at least a minimum of petrol; drivers whose cars are essential to their jobs can get extra rations. Lorries and buses can be given unlimited quotas.

But how should the basic ration be allocated? Rationing based on car registration favours households with more than one car. A plan based on licensed drivers favours large families, regardless of the families' needs. Does a resident of the inner city with access to public transport have the same need as a suburban dweller? Should a commuter living in a locality where train service is infrequent be given more petrol than one who has access to frequent trains? The adjudication of such questions extends the power of government over individual preferences and choices, against which most Europeans, subject to welfare bureaucrats, are in increasing rebellion.

To cut fuel consumption by allowing

ts price to rise, or by heavily taxing it, ransfers the resposibility for decisions to where many economists believe that it rightly belongs: the market place.

The critics of relying on the price mechanism argue that it imposes the main hardship on poor families and channels petrol to those who can most easily afford it and not necessarily to those who need it most. This is why many believe that some combination of rationing and taxes, or rationing and higher prices, is better. This system would give every driver a basic allowance of petrol at regular prices. Those who needed or wanted additional fuel could buy it but would have to pay an additional tax.

Alternatively, ration coupons could be made legally transferable for cash, allowing their price to be determined by supply and demand. The cash value of coupons would be an incentive for everyone to economise petrol.

How high the tax should be in order to secure adequate petrol savings is a matter of debate. Many economists believe that the short run demand for petrol is inelastic, or at least enough so as to require huge price increases before there would be any significant effect on consumption. Opinion polls have shown that the convenience of private transport ranks high in preference. According to some estimates every 10 per cent increase in price will cut demand by only two to four per cent. The truth is that until these various possibilities have been tried out no one knows how motorists will respond. There is simply a suspicion that even a steep price rise may fail to secure sizable reductions in petrol consumption.

II

Attracting Commuters to Public Transport

The reason for the inelasticity for demand for petrol is that many car owners feel they have no real alternative to driving. Some commuters are unable to switch to mass transport, and those who can are often able to do so only at great sacrifice in comfort and convenience. The key to reduce dependence on cars is, therefore, to multiply the availability and improve the quality of public transport. There are many ways to make public transport more attractive and not all of them require huge sums of money or years of preparation. Examples of low cost improvements are express buses in exclusive lanes set up on existing urban highways; staggered working hours to spread travel peaks and lessen crowding in public vehicles; provision of park-and-ride facilities at suburban rail stations; promotion of demand-responsive bus services for commuters to and from suburban rail stations; and incentives to charter buses and other arrangements for group travelling.

Even a relatively small diversion of commuters to public transport can yield appreciable fuel economies. In the Paris region e.g., some 30 per cent of private car use is for the daily trip to work. If only 10 per cent of the daily private car commuters shift to other transport, there could be a reduction of three per cent in the daily amount of petrol used.

The use of cycles and mopeds as substitutes for commuting should be examined, particularly because some 40 per cent of urban work trips made by car are 3½ miles or less. Today the great impediment to the use of cycles in cities is ths lack of safety when cycles mix with motor traffic. Separate rights of way for cycles would be a rational use of road space, because a one-way cycle-way can accomodate between 1,700 to 2,500 cycles per hour, which is twice the automobile carrying capacity of a city street-lane. The cycle's manoeuverability, ease of parking at destination, and non-polluting qualities, make it a first class commuting vehicle for trips of up to, say, four or five miles, as I can bear personal witness, because since the London bus strike of 1958 I have used my cycle in London for distances of up to six miles. Traffic congestion being what it is, over distances of up to two miles I can easily beat any bus or

TABLE I

Petroleum Requirements of the Automobile and the Transport Sector as Percentage of Total Petroleum Consumption (1971)

Petroleum consumption	Automobiles			Transport sector		Total
	Mtoe*	% of transp.	% of total	Mtoe*	% of total	Mtoe*
OECD-Europe	86	44	13	194	29	675
EEC	71	47	13	152	28	545
USA	220	54	29	407	53	768
Canada	23	70	29	33	42	78
Japan	18	40	8	45	21	214

*Mtoe: Million tons of oil equivalent (1 Mtoe—10^{13} kilo calories=3.968+10^{13} BTU's)
Source: Statistics of Energy, 1957-1971 (OECD, 1973).

TABLE II

Comparative Efficiencies of Different Modes of Intercity Travel

The table below compares the fuel requirements of an intercity round trip for a vacationing family of four and for a businessman travelling alone, under different assumption as to travel modes. The trip involves each way a line haul distance of 1000 km (620 miles), 200 km (125 miles) of local driving at destination and a 10 km (6 miles) access distance between home and rail or air terminal, for a total distance of 2,220 km (3,180 miles).

Mode of Travel	Fuel Consumption and Index			
	Family of 4		Single businessman	
Private automobile door-to-door (1)	275 litres / 72.6 gallons	100	275 litres / 72.6 gallons	100
Private automobile/ auto-train (2)	77.5 litres / 20.5 gallons	28	71.5 litres / 18.9 gallons	26
Airplane/ rented car (3)	363.5 litres / 96.0 gallons	132	111.5 litres / 29.5 gallons	41

(1) Standard-size passenger vehicle with fuel economy of 8 km/litre (18.5 miles/gallon).

(2) Includes a 20 km (12 miles) round trip to rail station. Fuel consumption for the line haul part of the trip is calculated on the basis of a 1460 kg (3,200 lbs) vehicle and its passengers.

(3) Includes a 20 km (12 miles) round trip to airport by private automobile. Airplane is a medium-range jet with fuel consumption rate of 555 litres/100 km (236 gallons/100 miles). Rented vehicle has fuel economy of 8 km/litre (18.5 miles/gallon).

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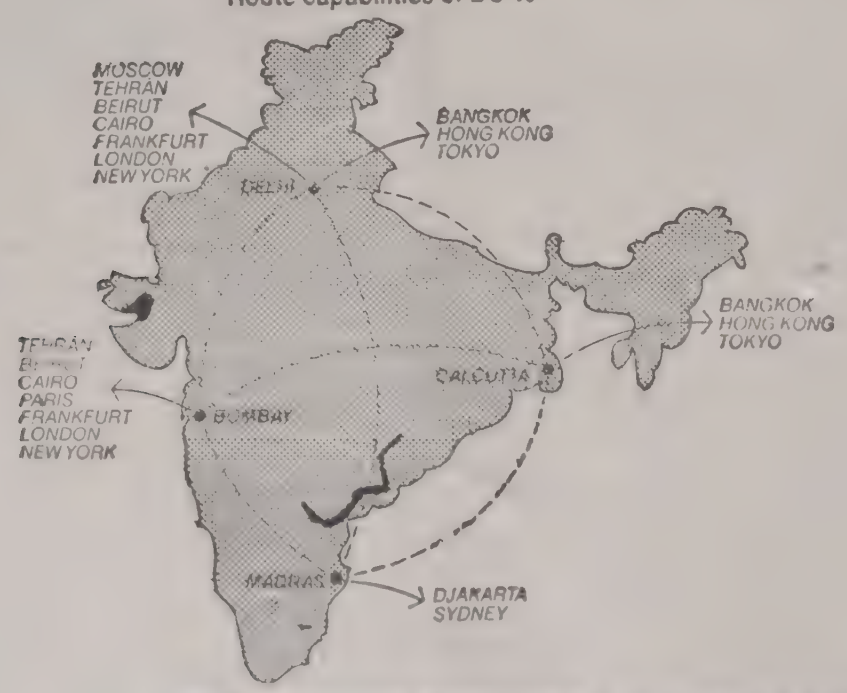
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underground. People ask me; "But what do you do when it rains?" To which I reply: "Put on a mackintosh." I worked out that in 1958-59 I was saving about $150 a year in buses and taxis. With all fares up by anything between 300 to 500 per cent since then, I leave it to you to work out what I must be saving today.

III

Diverting Long Distance Travel To More Efficient Modes

Important fuel saving can also be realised by more rational organisation of intercity transport (Table II p. 203). If the use of a car can be assured to travellers at destination, the line haul of many trips may be shifted to more efficient modes.

Two innovations in transport service offer precisely this opportunity. One is a car-rail service which enables travellers to put their cars on the train for the intercity portion of the trip and to continue the rest of the way in their own cars. This service exists in Europe (auto-couchette) and in the USA (auto-train) and is popular. What is now needed is to extend this service to more major travel corridors and to couple it with high speed rail service.

Equally promising are "fly and drive" arrangements. Car rental already exists at most airports but is usually inadequately integrated with airline service. Joint reservation and ticketing service which would guarantee the traveller both a seat on the plane and a car at destination (with one ticket payment for both services) might make this mode of travel popular.

In a second and concluding report next week we will examine current European and the US experiment in increasing the efficiency of traval by road.

W. Europe's summer without sunshine

Vienna

E. B. Brook

THIS SUMMER is about as depressed a season as one can recall for a long time in west Europe. There are plenty of bright spots, great expectations in the relatively near future over North Sea oil—over which there is likely to be a major row between Britain and its Market partners about ownership—but the present moment is definitely one of gloom. Not only is the tourist trade everywhere at the bottom of its luck; risky troubles hangs over the Cyprus upset, with two NATO powers squaring upto one another uncomfortably near the Soviet Union and west Europe's glamour story, the Common Market, is in the dog house with the general public.

Public expectations over the Six, now uncomfortably expanded into the Nine, have been disappointed. The Six, with the possible exception of Italy, were sufficiently similar in economic and constitutional make-up to form a workable association. The addition of the very largely unwilling, British and the economically weak Danes and Irish is a remarkable incongruity that has creaked ever since the Nine came into existence. The Market Commission has just made a survey of opinion in its member countries and finds the public everywhere considers it has been inadequate over such basic problems as inflation, agriculture, consumer protection and political unity.

Wages and prices are everywhere regarded as the most pressing problems facing governments and the Market institutions; 78 per cent of Europeans feel that Market action against rising prices has been insufficient. The criticism is not uniform throughout the Market area—comfortable, prosperous little Luxemburg which shares with Brussels and Strasburg the Market institutions is very satisfied with the world as it is; the Dutch—with low unemployment and high income—are also a happy people but the rest are very critical. The British showed themselves to be disheartened and irritable about the Market, the Irish are much more concerned with their own troubles and even the host country, Belgium, concentrates more on its apparently insoluble language war between French and Flemish speakers than even on rising prices.

sporadic bursts

No one wants to scrap the Market; nearly two-thirds still think membership is an advantage—in Britain only 24 per cent would be sorry to see an end to the Market—generally the populations of the six founder members are far more enthusiastic than those of the new three. The Market, in fact, suffers, like other governments, far more from sporadic bursts of unpopularity than from permanent unacceptability.

The two big men of the Market, the French President and the W.German Chancellor, have reaffirmed their commitments to such long-range goals as political unity in west Europe by 1980, decided to coordinate more closely the anti-inflation measures of their own two governments, but realized that the uncertainties of the energy sqeeze, mounting inflation, the British demand for renegotiations of its terms of entry and Italys economic weakness require resolution before than grand overall plan can begin to be fulfilled. For this year growth schemes, great and small, are out of the question. While Europe, west and east, waits for a few more months to see what the USA decides about its Trade Bill the Markets prospects are of a further rise in consumer prices of some 13 per cent and a growth in gross national product of not more than 2.5 per cent, less than half last years flgure.

Mainly on account of oil costs the overall balance of payments deficit on current account is likely to reach 20 billion dollars; the debt falling to all members except West Germany, Belgium; Holland and cosy little Luxemburg. With the exception of France and, more to be expected Italy, the loss will therefore lay with the three new members who with Italy, are the lame ducks of the Market. Price rlses overall are blamed not only on the surge in crude oil prices but on the tendency of employers everywhere to avoid immediate trouble by giving way easily to workers' demands for higher wages. Everywhere the consumer is the camel whose load is approaching the proverbial last straw. Inflation rates from 15 per cent in Ireland to 13.5 per cent in France among the unlucky, are making these members highly irritated with prosperous West Germany, with a mere 8.5 per cent price increase; the Germans are accused of over-stabilising their economy while they urge such chronically weak

members as Britain to toughen up their stabilization politics.

West European governments' fear of their consumers' rising impatience has been emphasized by the agricultural ministers' decision to place a relatively total ban on beef imports until the end of October—to the anger of the USA and the distress of livestock exporting non-members such as Austria. The Market, as was shown earlier over butter and now over cattle, has no control over its farmers who, everywhere, are the producers most easily able to make an immediate and crucially disturbing nuisance of themselves if they cannot get their way; streets blocked with farm tractors, angry farmers surrounding government buildings with heavy farm machinery, throwing stones, shouting abuse; and—as in Belgium last year—willing to attack and kill policemen are a menace to which no institution within or without the Market has yet found a solution. To order troops to fire would be asking soldiers to kill their own fathers, to order police to charge would be asking men with staves or pistols to attack armoured vehicles. No government is willing to put itself in the position of climbing down after a violent civil affray; as a result; they surrender before hand. This is the pattern from southern Italy through Austria and France right to the heart of the Market. There is now no trade or profession in west Europe that is not willing to create blockade or civil disorder to achieve its ends. Rising costs and prices are making government the prisoners of all forms of economic pressure.

France, still a predominantly farming country despite its fast expanding industries, is spending $125 million to shelter its farmers against falling prices in addition to stopping on beef imports. However convincingly the Agriculture minister may speak of price support the money is actually being spent to maintain civil peace in a country peculiarly susceptible to farmers riots. The French are also being careful to keep the franc free from the weaknesses of their Market colleagues' currencies by continuing to float the franc and keeping it out of the joint float known as the "snake" intended to lead to a European monetary union. No such union is remotely in sight.

The gleam of hope seen by some in the falling prices of raw commodities, including metals, as a counter to inflation has receded. Experts' predictions that prices, which have fallen generally since the beginning of the year, might help ease inflation, would continue to fall, have been contradicted by the June figures in several instances. The general expectation in Europe is that world market prices for raw materials will reestablish themselves at a huge level and both American and British indices bear them out.

The oil producing countries continue to pile up rapidly huge monetary reserves while those of most industrialised states remain stationary if not receding. The danger to the latter of trying to earn by massive exports to one another is realized but bank failures and the increasing number of bankruptcies in many countries are a sharply warning signal. The US economy expansion is too slow to be of much help to a troubled Europe. The brightest spot is the sign of oil money turning westwards—such as Iran's 25 per cent stake in Krupps steel giant and the Dubai purcchase of a major share in a London insurance house. The basic problem is to get a huge mass of money moving again into productive business; which is its function, and not nervously hoarded or put out only on short term by the new owners of much of the worlds liquidity.

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Wheels have a habit of coming full circle. It should not be held against Sir Muhammad Zafrulla Khan of course that he was, to quote *The Times of India*, "a bitter critic of India at the UN and outside during his long tenure as Pakistan's Foreign minister," for he was only being true to his salt as a member of his country's government. He was also only doing his duty, as he saw it, by his acquired citizenship. But what can be held against him by the people of this country, even at this distance of time, was that he was among the most rabid communalists in pre-partition, pre-independence days. As a member of the Viceroy's Executive Council he did everything he could to express and exercise his communalism not only through his activities in politics but also by his conduct in administration and public life.

It was possibly because he was acutely aware of the Ahmediya sect to which he belonged being an ill-digested part of the larger Muslim community that he always strove painfully and pitifully to establish and advertise his communal loyalties. Being a minority within a minority could, I suppose, generate agonizing feelings of insecurity.

Unfortunately, although Sir Muhammad's services to the cause of Pakistan did secure him a high position in its government, he was never really accepted by the ruling elite as one of them and his move to the International Court of Justice at The Hague probably brought as much relief to him as it did to the mandarins in Karachi.

Worse still, the Ahmediya sect was constantly slighted by the rulers of Pakistan in that country with such bigotry and unrelenting intolerance and fury that one cannot help recalling the irony of his own vituperative attacks in the pre-partition days against the Hindu majority as the persecutor of the Muslim minority. Against this background it is surely most appropriate that Sir Muhammad, now in his 77th year, should have made a pilgrimage to the Ahmediya shrine at Qadian in Gurdaspur district by courtesy of the government of India and enjoyed the hospitality of our country as a respected guest.

Dr I. G. Patel revealed a fine sensibility the way he paid his tribute to the late V.K. Ramaswami in the memorial lecture he delivered in New Delhi last week. To quote Dr Patel:

> "So much has been said throughout centuries about the scourge of poverty and about the scars that are left on a sensitive mind by the struggle to overcome the disadvantages of birth. But in our age and clime, perhaps, the scars that are left on the minds of the sensitive among the well-born by the struggle to establish that they should be accepted on their own terms, and on the basis of their own merit, are no less real. However brilliant or able, however generous or self-effacing and however scrupulous in their desire to eschew the fruits of parental influence and wealth, the sons and daughters of the well-to-do seldom get the benefit of doubt, seldom get credit for what they truly deserve in their own right. Sooner or later, perhaps, they do. But often it is too late and not without too heavy a price in terms of hurt pride and a sense of insecurity. How often do we remember that the injunction for mercy, for consideration, for understanding and indeed for equality applies in respect of everyone—irrespective of birth as the phrase goes, but irrespective of birth whether low *or* high?"

These thoughts and sentiments are of course especially appropriate to the case of Ramaswami, but may I suggest to Dr Patel that, although the sensitive among the well-born may sincerely desire to eschew the fruits of parental influence and wealth, it is not often that the parents themselves encourage in them this spirit of self-denial or let it find practical expression untrammelled by their solicitous ministrations.

This being so, "the sensitive among the well-born" may have to blame their parents rather than the human condition for the cross they have to bear and which Dr Patel has described with such touching eloquence.

Dr Patel, now Deputy Administrator of the United Nations Development Programme, was in this country on home leave and it was probably his affinity with the academic world (or what passes for it) in new Delhi as much as his affection and friendship for the late V.K. Ramaswami which prompted him to take time off for delivering the lecture at the Vivekananda Hall. As a former secretary for Economic Affairs in the government of India, Dr I. G. Patel has no doubt his own views on whatever is now being attempted to be done by Mrs Gandhi and her advisers in the name of an anti-inflationary strategy.

Dr Patel, however, is never one to wear his thoughts on his sleeves. Indeed he did not have to go to the United Nations to become a diplomat. It used to be said of his spell or spells at the Finance ministry in New Delhi that he always used to take two drafts with him when he went to give his minister advice. The first would say what he thought was right or should be done and the second what he knew would be acceptable and therefore approved. As the story goes, Dr Patel himself never greatly cared which one of the drafts got through.

Whereas Mr Raj Narain is like the clown in a circus seeking to dispel boredom by physical antics, Mr Piloo Mody is like the Fool in Shakespeare whose mission it is to illuminate the follies of mankind. His reflections on a cabinet reshuffle, which he attempted to share with the prime minister in the Lok Sabha last week, certainly included sallies which were not only witty but also thoughtful.

My favourite was his prescription for Mr Y. B. Chavan and Mr Uma Shankar Dikshit. Killing two birds with one stone, he called it. I must however point out that he was not being fair either to Mrs Gandhi or to Mrs Maya Ray when he suggested that the latter should be a minister since the treasury benches could do with a little bit of ornamentation. The prime minister, surely, is still ornamental enough despite her age and the toll it must take even of her physical legacy. As for Mrs Ray, can't she be functional too especially if Mr Dikshit and Mr L. N. Mishra are to be dropped from the cabinet as is recommended by Mr Mody?

VB

MOVING FINGER

TRADE WINDS

IDBI Rates Raised

THE INDUSTRIAL Development Bank of India (IDBI) has increased its interest rate structure in the wake of the Bank Rate hike. The increases range from one to two percentage points. No changes are proposed in the interest rates on export credit involving deferred payment. The normal direct lending rate of the bank has been raised from nine per cent to 10.25 per cent and the lending rate of eligible units located in backward areas from 7.5 per cent to 8.5 per cent. These new rates will apply for projects sanctioned from now on and not for those already sanctioned and under implementation. The general rate of refinance will be 8.5 per cent (with a ceiling of 12.0 per cent on the rate to be charged by financial institutions).

The refinance rate for small units covered under the Credit Guarantee Scheme will be seven per cent (with a ceiling on the rate of financial institutions of 10.5 per cent). The concessional refinance rate for loan assistance to eligible industrial units in backward areas will be raised from four per cent to 5.5 per cent (nine per cent ceiling on the rate for financial institutions). The refinance rates in respect of the foreign currency component of the loans given by the state financial corporations under IDA credit have been steppped up by 1.5 per cent to eight per cent for small units, schemes of technical-entrepreneurs and units located in backward areas (with a ceiling of 10.5 per cent on SFC's lending rates), and 8.25 per cent in other cases (with a ceiling of 11 per cent on SFC's lending rate). The rediscount rates on machinery bills have been increased by two percentage points from seven to nine per cent for bills with unexpired usance up to 36 months and from 6.5 to 8.5 per cent for bills with unexpired usance of over 36 months and up to 84 months. The banks maximum discount rates should be only one per cent higher than the IDBI rediscount rates.

Commercial Banks Raise Interest Rates

The commercial banks have increased the rates of of interest on advances and deposits following the increase in Bank Rate on July 22. The **State Bank of India** has increased its minimum lending rate from 11 to 12.5 per cent. Other banks are also announcing the increase in interest rates on their advances.

Punjab National Bank has announced the increase in the rate of interest on fixed deposits. Deposits for over five years will now earn 10 per cent as against eight per cent before July 23. Similarly three to five years deposits will yield nine per cent as against 7¾ per cent. One year depoist will earn eight per cent as against 6¾ to 7½ per cent. Ninetyone days deposits will yield 5½ per cent as against old interest rate of five per cent.

Interest Rates on Small Savings

The union government has revisied the rates of interest applicable to the various small savings securities and provident funds. The revised rates of interest detailed below for the various securities will be effective from July 23, 1974. The **7-Year National Savings Certificates (II & III Issue)** where free, will carry interest at the rate of six per cent per annum instead of five per cent per annum. Increase of rates of interest will be applicable to the existing deposits in the above securities in respect of unexpired period. The **7-Year National Savings Certificates (IV Issue)** where the interest payble is liable to income tax will cary interest at the rate of 10¼ per cent per annum instead of 8¼ per cent per annum as at present. Increase of rates of interest will be applicable to the existing deposits in the above securities in respect of unexpired period.

The amounts invested in **Post Office Time Deposits** will carry interest at the following rates:

Period	Rate of interest per annum
1 year	8 per cent
2 year	8½ per cent
3 years	9 per cent
5 years	10 per cent

The existing deposits in Post Office Time Deposit accounts will also qualify for the enhanced interest in respect of the unexpired period from July 23, 1974. **Post Office Recurring Deposit** accounts are for five years period and carry interest which is liable to income tax. The rate of interest applicable to these deposits will be 9¼ per cent per annum. In respect of existing accounts also suitable bonus shall be paid with effect from July 23, 1974. The bonus will be added to the maturity value of the account. Under the **Cummulative Time Deposit Scheme**, deposits are accepted only in 10-year accounts from November 1973. Deposits in these 10-year accounts qualify for rebate in income tax like insurance premia and the interest amount paid, which is about 5.25 per cent per annum, and is also tax-free. The interest payable on these accounts has been increased to 6¼ per cent per annum. In respect of existing 5-years, 10-years and 15-years accounts also suitable bonus will be added to the with effect from July 23, 1974.

The rate of interest payable on deposits in **Public Provident Fund** account will be seven per cent per annnm with effect from August 1, 1974 instead of the present rate of 5.8 per cent per annum. Interest rate on **General Provident Fund** deposits of central government employees are also being stepped up from August 1, 1974. Accumulations upto Rs 25,000 will earn interest at 7.5 per cent per annum and balances above this limit at seven per cent per annum.

Availability of Staple Fibre

Prof D. P. Chattopadhyaya, union minister of Commerce, made the following statement in Lok Sabha recently in reply to a calling attention notice regarding the reported non-supply of staple fibre yarn and rayon filament yarn to small scale weaving industry by the spinners. The government has been receiving representations over the past few months about the inadequate availability of viscose staple fibre yarn and rayon filament yarn, causing considerable hardship to the weavers.

The total production of viscose staple fibre spun yarn is 60 million kgs which is far short of our total demand. The problem was accentuated because of prolonged strike in the Gwalior Rayon pulp production unit when their production in 1973 fell from estimated 78,000 to 58,000 tonnes, while the only other unit supplying staple fibre to the spinning mills, namely, South India Viscose Limited, had only a limited production capacity of about 4,000 tonnes. With a view to ensure adequate supply of fibre to the spinning units and to avoid the possibility of individual mills or group of mills to gain substantial control over total supplies, the government decided to impose statutory control over the distribution of viscose staple fibre to the

1972. The distribution attern has, however, been allenged in a series of writ titions filed in various high urts.

In respect of staple fibre un yarn, the position is being viewed in the light of the mplaints received from a umber of states such as unjab, Haryana, Uttar Prdesh, Gujarat, Bihar and West engal, and the government is working out a system of pricing nd distribution which is consistent with the economies of production and as well as he needs of the weavers. In respect of rayon filament yarn, the total production in 1973 was around 37,000 tonnes, which again was considerably short of the total demand.

In the past, the distribution of rayon filament yarn was governed by voluntary agreement between the spinners and weavers' associations, which worked satisfactorily, from August 1969 till the middle of last year. Since then the complaints were received by government that the mills were not supplying the yarn to the weavers in accordance with the voluntary agreement. A dialogue was initiated between the spinners and the weavers for the clearance of the backlog, and the government expected that this backlog would be cleared by August 30 this year.

In respect of current production the ministry is now considering alternative proposals for making available the rayon filament yarn to the weavers at reasonable prices, and towards this end fresh cost analysis has been made by the government to update the prices indicated in the Report of the Tariff Commission. The government is also considering the most efficient system of distribution, so that uninterrupted supply of filment yarn could be made available to the weavers at a fixed price.

Import of Polyester Banned

The government has banned the import of polyester and mide, and synthetic resins of textile grade, with immediate effect. The step has been taken to curb the abuse of import regulations by export houses, who imported these materials because there was a ban on the import of man-made fibres. They used to make fibres out of these materials and sell them at a huge profit of 300 per cent. The government has, however, permitted import of polyamide resins only against export of paints, varnishes and enamels based on polyamide. Similarly, import of DMT is to be allowed only against export of super synthetic enamels based on polyester. An import trade control notice issued recently said that the import of polyester coating resins would be allowed only against the export of decorative laminated plywood.

Coffee Output and Exports

The Coffee Board has launched various development programmes for improving the productivity of small holdings by adoption of intensive cultivation based on improved farming practices, resulting from scientific and technological advancement. It has thus been possible to increase the coffee production in the country, without corresponding appreciable increase in area, from 60,901 tonnes in 1964-65 to about 90,000 tonnes in 1973-74 and exports from 30,691 tonnes valued at Rs 13.35 crores to 52,057 tonnes valued at Rs 45.58 crores during the same period.

Clearance of Excisable Goods

The union government has imposed quantitative restrictions on the excisable goods which may be cleared for home consumption from any factory or a warehouse during the week beginning on July 22, 1974 and the week immediately following thereafter. The quantities of excisable goods which may be cleared for home consumption from a factory weeks begining an July 22, 1974 shall not, in each of the aforesaid week, exceed by more than 50 per cent of the weekly average of the quantity cleared during the 12 months, reckoned as 52 weeks, immediately preceding the first day of July 1974. In other words, if the average weekly quantity cleared for home consumption by a factory or a warehouse during the preceding 12 month is, say, 100 kilograms, then the maximum permissible quota which such a factory or a warehouse can clear for home consumption will be 150 kilograms in the week commencing on July 22, 1974, and again 150 kilograms during the week commencing thereafter. The quantity to be cleared in each week of the notified period cannot thus exceed 150 per cent of the averege weekly quantity cleared during the last 12 monts.

The restrictions do not apply to goods removed for export. These restrictions also do not apply to goods cleared from a factory or a warehouse under a bond without payment of duty for being re-warehoused. The restrictions will not apply to units which are exempted from Central Excise Licensing Control.

IDA Credit for Rajasthan canal

The International Development Association (IDA), an affiliate of the World Bank, has approved a credit of US $83 million to finance the development of 200,000 hectares in the command area of the Rajasthan canal in India. The US $174 million project will provide all the necessary physical works and agricultural supporting services to enable the full realisation of the benefits of the existing irrigation project. At full development, the project will help to increase foodgrains production by 265,000 tons and of the other crops such as cotton and pulses, by 647,000 tons a year. The project will also provide the equivalent of 70,000 additional full time jobs and contribute to an increase in assist in the permanent settlement of 33,000 landless agricultural labourers and their families—a total of 200,000 persons.

The project consists of land development, including levelling of 32,000 hectares, reclamation of 17,000 hectares of saline soils, construction and lining of 5,800 kilometres of water courses, lining of 915 kilometres of canals, afforestation, construction of 430 kilometres of roads, provision of fertilisers, facilities for the supply of filtered and disinfected water to 100 villages, and agricultural research and support services. The project is scheduled for completion in 1981. The IDA credit will finance 48 per cent of the cost of the project. The Food and Agriculture Organisation (FAO) joined the Bank in identifying and preparing the project under The Bank/FAO Co-operative Programme. The IDA credit is for 50 years including a 10 year grace period. It is interest free except for a service charge of 3/4 of one per cent to cover IDA's administrative expenses.

Exports of Engineering Goods

Exports of engineering goods from the eastern region can achieve a level of Rs 100 crores annually in the next two or three years if the existing constraints are removed, the Engineering Export Promotion Council (Eastern region) Chairman Mr Banwarilal Dalmia stated recently in Calcutta. Exporters hold orders worth Rs 67 crores for execution during 1974-75, which is better than the performance during 1972-73 and 1973-74 when the eastern region could export only Rs 25.24 and Rs 29 crores worth of goods, respectively. The declining trend over the past years, he pointed out, is due to labour unrest and some other causes. The conditions in West Bengal and the neighbouring states have improved vastly and prospects for exports are now bright.

Balance Sheet as at

CAPITAL AND LIABILITIES

As at 31st December, 1972 Rupees		Rs.	Ps.	Rs.	Ps.
	1. Capital :				
4,75,14,600	Paid-up Capital (wholly owned by Central Government)			4,75,14,600	00
	2. Reserve Fund and Other Reserves :				
8,34,88,080	Reserve Fund	8,93,86,079	54		
53,29,771	Contingency Fund	54,79,770	96		
1,50,000	Development Rebate Reserve	—			
3,63,700	Capital Suspense	3,63,700	00		
3,61,519	Share Premium Suspense	3,61,519	25		
8,96,93,070				9,55,91,069	75
	3. Deposits And Other Accounts :				
	Fixed Deposits etc. :	Rs.	Ps.		
)	(*i*) From Banks	5,87,46,669	27		
4,17,45,90,555)	(*ii*) From Others	4,77,91,80,502	86	4,83,79,27,172	13
2,08,66,18,742	Savings Bank Deposits			2,48,96,85,746	43
	Current & Contingency Accounts etc. :				
)	(*i*) From Banks	5,44,75,566	70		
1,78,65,40,591)	(*ii*) From Others (Including Staff Gratuity Fund Rs. 1,71,50,000/-)	1,95,93,73,180	20	2,01,38,48,746	90
8,04,77,49,888				9,34,14,61,665	46
	4. Borrowings from other Banks, Agents, etc.	In India		Outside India	
	(1) **Secured :**	Rs.	Ps.	Rs.	Ps.
41,75,000	By part of Investments and bills per contra	44,34,35,000	00	—	
	(2) **Unsecured :**				
	In respect of borrowings (By part of advances per contra) from :				
2,03,17,624	(*i*) The Industrial Development Bank of India	1,14,72,700	00	—	
1,68,51,894	(*ii*) The Agricultural Refinance Corporation	1,86,11,714	00	—	
3,71,13,135	(*iii*) Banks and Other Financial Institutions	14,76,57,052	93	1,41,95,224	96
7,84,57,653		62,11,76,466	93	1,41,95,224	96
					63,53,71,691 89
9,00,61,770	**5. Bills Payable**				10,96,92,591 20
	6. Bills for Collection being Bills Receivable as per Contra :				
45,40,77,208	(*i*) Payable in India			48,26,16,687	82
5,61,97,574	(*ii*) Payable outside India			5,36,17,981	71
51,02,74,782					53,62,34,669 53
	7. Other Liabilities :				
16,28,48,782	Branch Adjustments			26,63,27,587,27	
1,66,37,287	Amount owing to Subsidiary Company (including on their Clients Accounts)			1,73,82,116	42
8,54,483	Unclaimed Dividends			8,32,109	14
1,13,44,264	Rebate on Bills Discounted			1,26,50,528	25
19,16,84,816					29,71,92,341 08
905,54,36,579		Carried Over.....			1106,30,58,628.91

of India

31st December, 1973

PROPERTY AND ASSETS

As at 31st December, 1972 Rupees				Rs.	Ps.	Rs.	Ps.
67,05,48,197	1. **Cash :** In hand and with Reserve Bank and State Bank (including foreign currency notes)		...			78,31,57,641	33
	2. **Balances with other Banks :**						
	On current Account :			Rs.	P.		
1,30,18,534	(*i*) In India		...	1,50,37,918	62		
1,18,71,412	(*ii*) Outside India		...	1,09,38,782	58		
2,48,89,946						2,59,76,701	20
	On Deposit Account :						
—	(*i*) In India		...	—			
1,88,000	(*ii*) Outside India		...	12,22,000	00	12,22,000	00
2,50,77,946							2,71,98,701 20
11,56,00,000	3. **Money at Call and Short Notice**			...			37,60,000 00
	4. **Investments :** (at below Market Value)						
2,71,10,53,919	(*i*) Securities of the Central and State Governments and other Trustee Securities			...		2,80,71,03,814	49
—	Treasury Bills of the Central and State Governments			...		30,00,00,000	00
			Fully paid Rs.	Ps.	Partly Paid Rs.	Ps.	
	(*ii*) Shares						
83,51,333	(*a*) Preference	...	77,63,095	76	—		
3,33,54,788	(*b*) Ordinary	...	2,14,88,093	93	96,79,066	17	
57,799	(*c*) Other Classes	...	57,798	75	—		
4,17,63,920			2,93,08,988	44	96,79,066	17	3,89,88,054 61
4,10,34,790	(*iii*) Debentures or Bonds			... ...		5,37,44,831	65
4,52,610	(*iv*) Other Investments			... ...		4,52,610	00
—	(*v*) Gold			... ...		—	
2,79,43,05,239							3,20,02,89,310 75
	5. **Advances :** (Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors)						
	(I) Loans, Cash Credits, Overdrafts, etc. :			Rs.	Ps.		
3,71,04,52,761	(*i*) In India (Including an amount of Rs. 12,03,84,414·00 relating to medium-term advances in respect of which finance has been obtained from the Industrial Development Bank of India, the Agricultural Re-finance Corporation, and other Financial Institutions as per contra)		...	4,81,31,24,707	07		
70,03,402	(*ii*) Outside India		...	1,41,50,328	54		
3,71,74,56,163						4,82,72,75,035	61
	(II) Bills Discounted and Purchased :						
85,90,68,282	(*i*) Payable in India		...	1,19,83,43,143	92		
12,67,63,323	(*ii*) Payable outside India		...	21,38,44,056	50*	1,41,21,87,200	42
98,58,31,605	* Includes Rs. 1,40,00,000/- under Export Bill Credit Scheme of Reserve Bank of India per contra and Rs. 9,90,00,000/- under Pre-Shipment Credit Scheme of Reserve Bank of India per contra						
4,70,32,87,768							6,23,94,62,236 03
	PARTICULARS OF ADVANCES :						
3,75,25,60,450	(*i*) Debts considered good in respect of which the bank is fully secured			... ...		4,90,60,40,361	37
24,46,24,956	(*ii*) Debts considered good, for which the bank holds no other security than the debtors' personal security			... ...		22,97,02,272	13
70,61,02,362	(*iii*) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors			... ...		1,10,37,19,602	53
—	(*iv*) Debts considered doubtful or bad not provided for			... ...		—	
4,70,32,87,768						6,23,94,62,236	03
8,30,88,19,150				Carried Over.....			1025,38,67,889.31

Central Bank

Balance Sheet as a

CAPITAL AND LIABILITIES

As at 31st December, 1972 Rupees		Rs.	Ps.	Rs.	P
905,54,36,579	Brought Forward			1106,30,58,628.91	
35,20,94,779	8. **Acceptances, Endorsements and other Obligations as per Contra**			50,33,79,927·01	
	9. **Profit and Loss :**				
—	Balance as per last Balance Sheet		—		
41,41,684	Profit for the year		2,94,89,516·34		
41,41,684			2,94,89,516·34		
	Less :—Appropriations :				
		Rs. Ps.			
9,00,000	Transferred to Reserve Fund	58,98,000·00			
—	Provision for Bonus to Staff	2,20,00,000·00			
9,00,000			2,78,98,000·00		
32,41,684	Balance to be transferred to the Central Government			15,91,516·34	
	10. **Contingent Liabilities :**				
(31-12-1972) Rupees		Rs. Ps.			
68,08,379	(*i*) Claims against the Bank not acknowledged as debts	65,60,703·86			
1,05,21,318	(*ii*) On Investments in partly paid shares	1,13,66,447·50			
63,51,63,177	(*iii*) On Letters of Guarantee on behalf of Constituents (including Rs. Nil on behalf of officers)	64,24,34,720·43			
35,07,14,574	(*iv*) Liability on account of outstanding Forward Exchange Contracts	51,12,34,932·42			
11,43,11,444	(*v*) Liability on Bills of Exchange Re-discounted	21,74,68,669·94			
9,41,07,73,042	TOTAL RUPEES			11,56,80,30,072·26	

Notes forming part of the Balance Sheet :

(1) The Bank's building at 33, Netaji Subash Road, Calcutta in which the Calcutta Branch of the Bank was situated, was destroyed by a fire on the night of 3rd/4th January, 1974. In the said fire most of the books and records of the branch were destroyed. The returns for the half year ended 31st December, 1973 of this Branch are, therefore, compiled on the basis of available information and on certain assumptions and estimates.

(2) As returns in respect of Pakistan (including areas now comprised in Bangladesh) Branches have not been received for the period after 30th June, 1965, unaudited returns as at that date only have been incorporated in the Bank's Balance Sheet as at 31st December, 1973. As no further information is available, the assets and liabilities in Pakistan have not been shown in the Balance Sheet under the individual heads but only the net book value thereof has been incorporated.

(3) The actual amount of liability arising from future gratuities payable to staff has not been ascertained but is greater than the amount provided.

(4) For the year 1972, provision for bonus to staff was charged to the Profit and Loss Account. For the current year, provision for bonus to staff is disclosed as an appropriation of profit.

(5) There is a demand from the employees for payment of bonus for the year 1973 in excess of the amount provided. The provision made in the accounts is on the basis of the offer made by the management to the employees.

(6) Certain old items in the branch reconciliations remain to be cleared. The balancing of general ledger with subsidiary ledgers schedules remains to be completed at a few branches. The schedules supporting general ledger balances and reconciliation statements for accounts with other banks were not ready at a few branches. Necessary steps are being taken in this regard.

(7) The figures for the previous year have been regrouped where necessary and possible.

In terms of our report of even date attached
HARIBHAKTI & CO.,
FORD, RHODES, PARKS & CO.,
LOVELOCK & LEWES
Chartered Accountants.

Bombay, 12th June 1974.

f India

st December, 1973

PROPERTY AND ASSETS

At 31st December, 1972 Rupees		Rs. Ps.	Rs. Ps.
830,88,19,150	Brought Forward		1025,38,67,889.31
1,27,32,821	(v) Debts due by officers of the bank or any of them either severally or jointly with any other persons	1,54,91,242·52	
—	(vi) Debts due by companies or firms in which the directors of the bank are interested as directors, partners or managing agents, or, in the case of private companies as members ...	—	
1,27,32,821	(vii) Maximum total amount of advances, including temporary advances, made at any time during the year to directors, or managers or officers of the bank or any of them either severally or jointly with any persons	1,54,91,242·52	
—	(viii) Maximum total amount of advances, including temporary advances, granted during the year to the companies or firms in which the directors of the bank are interested as directors, partners or managing agents, or, in the case of private companies, as members	—	
1,47,21,559	(ix) Due from banks	1,86,34,822·45	
	6. **Bills Receivable being Bills for Collection as per Contra :**		
45,40,77,208	(i) Payable in India	48,26,16,687·82	
5,61,97,574	(ii) Payable outside India	5,36,17,981·71	
51,02,74,782			53,62,34,669·53
35,20,94,779	7. **Constituents' Liabilities for Acceptances, Endorsements and other Obligations per Contra** ...		50,33,79,927·01
	8. **Lands and Buildings :**		
2,31,00,654	Cost as per last Balance Sheet	2,58,24,710·26	
5,01,855	*Less :* Cost of Property sold during the year	—	
2,25,98,799		2,58,24,710·26	
32,25,911	*Add :* Cost of Addition made during the year	67,45,483·13	
2,58,24,710		3,25,70,193·39	
57,14,020	*Less :* Depreciation written off	63,19,119·87	
2,01,10,690			2,62,51,073·52
	9. **Furniture and Fixtures :**		
7,35,70,281	As per last Balance Sheet	8,58,85,979·12	
1,23,15,698	*Add :* Additions less Sales made during the year	1,14,01,237·67	
8,58,85,979		9,72,87,216·79	
3,65,22,136	*Less :* Amount written off to date for depreciation	4,33,21,818·75	
4,93,63,843			5,39,65,398·04
	10. **Other Assets :**		
10,00,000	Shares (Partly paid) of the Central Bank Executor and Trustee Co. Ltd. (Subsidiary Company) at Cost	10,00,000·00	
3,68,02,522	Interest accrued on Investments	3,91,36,374·00	
6,42,44,474	Income-tax paid in advance and tax deducted at source	8,43,99,292·07	
1,64,74,000	Share Application Moneys	1,82,54,250·00	
5,14,98,804	Sundry Advances, Deposits, Stamps, Stationery, Home Saving Safes, Safe Deposit Boxes, etc.	5,14,51,200·63	
17,00,19,800			19,42,41,116·70
89,998	11. **Non-banking assets acquired in satisfaction of claims (at book value)**		89,998·15
9,41,07,73,042	TOTAL RUPEES		11,56,80,30,072·26

D.V. TANEJA
Chairman & Managing Director

Directors

TARAKESWAR CHAKRABORTI
R. R. KUMAR
J. J. NERURKAR
RAMSIYA KUNDER
T. S. PAPOLA
R. RATNAM
C. S. VENKAT RAO
M. G. BALASUBRAMANIAN

N. M. MISTRY
Assistant General Manager

Bombay, 12th June, 1974.

Central Bank

Statement of Profit and Loss Account for

EXPENDITURE

Previous Year Rupees		Rs. Ps.	Rs. P
30,57,61,617	1. Interest paid on Deposits, Borrowings, etc.		38,41,45,053·8
21,55,04,719	2. Salaries and Allowances	26,01,21,106·40	
83,44,568	Contribution to Provident Fund	92,25,968·39	
1,76,00,000	Bonus to Staff (See Note No. 4 on the Balance Sheet)	—	
24,14,49,287			26,93,47,074·7
27,617	3. Directors' Fees and Allowances	1,01,024·36	
450	Committee Members' Fees and Allowances	—	
28,067			1,01,024·36
1,98,58,493	4. Rent, Taxes, Insurance, Lighting, etc.		2,25,96,166·03
19,22,245	5. Law Charges		12,81,228·47
66,55,764	6. Postage, Telegrams and Stamps		60,41,839·22
	7. Auditors' Fees :		
2,83,950	To Statutory Auditors (including Branch audit fees)	3,02,700·00	
2,45,500	To Branch Auditors	2,94,710·00	
5,29,450			5,97,410·00
3,67,922	8. Depreciation on Bank's Property	6,05,099·60	
2,67,430	Repairs to Bank's Property	1,97,756·46	
2,90,670	Other charges on Bank's Property	5,37,807·30	
61,09,188	Depreciation on Furniture and Fixtures	67,99,682·28	
70,35,210			81,40,345·64
97,15,128	9. Stationery, Printing and Advertisements, etc.		1,01,81,755·96
—	10. Loss from sale of or dealing with non-banking Assets		—
2,27,40,627	11. Other Expenditure		2,59,78,856·88
41,41,684	12. Balance of Profit—See Note 4		2,94,89,516·34
61,98,37,572		TOTAL RUPEES ...	75,79,00,271·55

Notes :—

Previous Year Rupees		Rs. Ps.
	1. Particulars of remuneration paid to the Chairman :—	
43,569	(*i*) Salary ...	43,569·48
6,398	(*ii*) Allowances ...	6,397·92
3,631	(*iii*) Contribution to Staff Provident Fund ...	3,630·72
53,598		53,598·12

2. Salaries and Allowances include bonus paid in respect of earlier years in excess of the provision made Rs. 35,16,634·29 (previous year Rs. 22,16,131/-).

3. Advertisement expenditure during the year Rs. 9,26,941·80 (previous year Rs. 12,56,933/-).

4. The balance of profit for the year is before charging the provision for bonus. The corresponding figure for the year 1972 is after charging the provision for bonus.

5. Particulars of remuneration paid to employee Directors (other than Directors' fees and allowances) have not been separately disclosed as they have not drawn such remuneration in their capacity as Directors.

In terms of our report of even date attached.

HARIBHAKTI & CO.
FORD RHODES PARKS & CO.
LOVELOCK & LEWES
Chartered Accountants

Bombay, 12th June, 1974.

AUDITORS' REPORT TO THE PRESIDENT OF INDIA

1. We have audited the attached Balance Sheet of Central Bank of India as at 31st December, 1973 and also the Profit and Loss Account of the Bank for the year ended on that date annexed thereto, in which are incorporated the returns of 129 Branches audited by us, 347 Branches audited by other auditors and the unaudited returns in respect of 690 Branches including the Calcutta Branch at 33 Netaji Subash Road and also the unaudited returns as at 30th June, 1965 in respect of 5 Branches in Pakistan (including areas now comprised in Bangladesh).

2. The Balance Sheet and the Profit and Loss Account have been drawn up in Forms 'A' and 'B' respectively of the Third Schedule of the Banking Regulation Act, 1949. Accordingly, they disclose such matters as were required to be disclosed in the case of banking companies prior to nationalisation by virtue of the provisions of the said Act as read with the related provisions of the Companies Act, 1956.

f India

year ended 31st December, 1973

Previous Year Rupees	INCOME (Less provision made during the year for bad and doubtful debts and other usual or necessary provisions)	Rs.	Ps.
54,69,88,037	1. Interest and Discount		
7,05,34,654	2. Commission, Exchange and Brokerage	67,21,47,273	81
23,14,881	3. Rent on Bank's Premises (excluding Rent on Premises used by the Bank)	8,31,32,946	01
—	4. Net Profit on Sale of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any particular Fund or Account)	26,20,051	73
—	5. Net Profit on Revaluation of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any particular Fund or Account).	—	
—	6. Income from non-Banking Assets, and Profit from sale of or dealing with such Assets ...	—	
61,98,37,572	TOTAL RUPEES ...	75,79,00,271	55

. V. TANEJA
hairman & Managing Director

Directors
TARAKESWAR CHAKRABORTI
R. R. KUMAR
J. J. NERURKAR
RAMSIYA KUNDER
T. S. PAPOLA
R. RATNAM
C. S. VENKAT RAO
M. G. BALASUBRAMANIAN

N. M. MISTRY
Assistant General Manager

ombay, 12th June, 1974

3. As stated in Note 1 to the Balance Sheet, most of the books and records of the Calcutta Branch at 33 Netaji Subash Road were destroyed by a fire which took place there on the night of 3rd/4th January, 1974. The returns for the half year ended 31st December, 1973 of the said Branch were therefore, not prepared from the books of account but were compiled by the Bank on the basis of available information and on certain assumptions and estimates. The returns so compiled, reflected total assets Rs. 50·77 crores and total liabilities Rs. 27·60 crores as at 31st December, 1973 and gross income Rs. 2·10 crores and total expenditure Rs. 1·39 crores for the half year ended on that date, which have been incorporated in the accounts of the Bank. In the absence of books of account and other supporting records, we are unable to express an opinion on the figures relating to the Calcutta Branch incorporated in the accounts of the Bank.
4. In relation to the Calcutta Branch, we have not obtained all the information necessary for the purposes of our audit as the books of account were not available.
5. On the basis of the audit indicated in the first paragraph and subject to the limitation of disclosure indicated in the second paragraph and the reservations contained in paragraphs three and four, we report that :—
   (*a*) In our opinion and to the best of our information and the explanations given to us and as shown by the books of the Bank :
      (*i*) the Balance Sheet read with the notes thereon is a full and fair Balance Sheet, containing the necessary particulars and it is properly drawn up so as to exhibit a true and fair view of the affairs of the Bank as at 31st December, 1973 and
      (*ii*) the Profit and Loss Account read with the notes thereon shows a true balance of profit for the period covered by the Accounts;
   (*b*) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;
   (*c*) The transactions of the Bank which have come to our notice have been within the power of the Bank, and
   (*d*) The returns received from the Branches of the Bank, except for the Calcutta Branch and the five Pakistan Branches (see Notes 1 and 2 to the Balance Sheet) have been found adequate for the purposes of our audit.

HARIBHAKTI & CO.,
FORD, RHODES, PARKS & CO.,
LOVELOCK & LEWES.,
Chartered Accountants

Bombay, 12th June, 1974.

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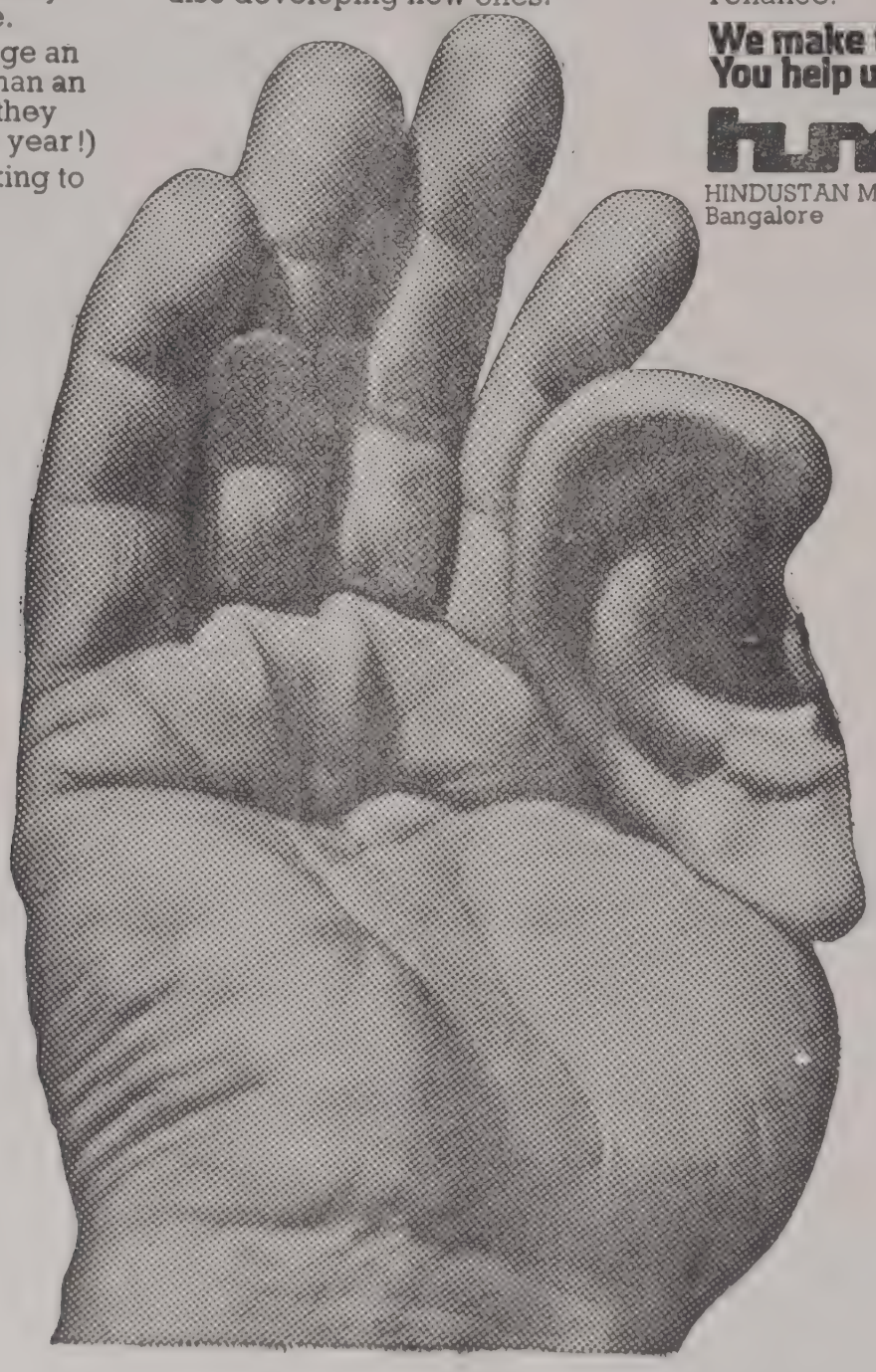
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HINDUSTAN MACHINE TOOLS LIMITED
Bangalore

SAA/HMT/1389

COMPANY AFFAIRS

Waiting It Out

THE OFFICIAL announcement in ne Lok Sabha on July 21 that ne government proposed to ntroduce a second Finance ill on July 31 as another ins-alment of its anti-inflationary trategy naturally aggravated lhe nervousness prevailing in lhe capital market and tne tock exchanges. It was assum-ed that the Finance minister would propose further heavy axation and that, although his emphasis might be on ex-cise duties on luxury or semi-uxury items, he might not eave the corporate sector un-touched. Fortunately, Mr Chavan's forthright declara-tion in the Rajya Sabha on July 23 that the government had ruled out demonetization or devices such as SEMIBOMBLA for writing down the face value of currency or bank deposits helped to prevent morale from sagging disastrously.

Another heartening de-velopment was the announce-ment by the management of *National Rayon* that it had taken legal opinion on the situation following the divi-dend restraint ordinance and that on the basis of the advice given to it, it would be treating the excess of the divídend dec-lared over the dividend per-missible under the ordinance as 'debt' owed to the share-holders to be discharged when the dividend restraint ordi-nance came to an end. This could mean that the company would be paying interest to shareholders on the amount thus retained. *National Ray-on's* move led to expectátions that other companies similarly situated would also be follow-ing suit. There were also wel-come reports from *Gwalior Rayon* and *Rohit Pulp and Pa-per Mills* of bright financial results as well as news about their forthcoming bonus isues.

Nevertheless, for the time being, operators were unwilling to extend their commitments, prefering to wait it out. Trad-ing on the Bombay share mar-ket was confined to cash scrips and a few active shares moved within the fixed floor rate of 12 per cent allowed by the stock exchange authorities. In Cal-cutta and Madras business was virtually at a standstill, the increase in the Bank Rate to nine per cent proving an additional bear factor. In the new issues market, however, W.G. Forge reported satis-factory response and the subs-cription list was closed on July 27.

In a representation to the central government on the divi-dend restraint ordinance and its implications, the Bombay stock exchange has said that small and middle class share-holders will be hit hard; the LIC with 16 million policy-holders will lose about Rs 5 crores in its annual dividend income and the Unit Trust with 600,000 Unitholders will lose Rs 2.5 crores or more per annum. According to a study of a representative group of 219 listed companies with a paid-up equity capital of Rs 865 crores, which distributed Rs 103 crores as dividends last year, this group will now be able to pay only Rs 56 crores.

According to another study, as against 153 companies, re-presenting 70 per cent of the total number, which used to pay 12 per cent dividend or more, only 56 companies or 26 per cent of the total number will now be able to pay the ceiling of 12 per cent per *contra*. Eighty-one companies representing 37 per cent of the total will now be compelled to pay a dividend of less than six per cent as against 33 com-panies or 15 per cent of the total number before the ordi-nance.

Chamundeswari Sugars

The Chairman of the board of directors of *Sri Chamundes-wari Sugars Limited* and his colleagues on the management of this company have every reason to be satisfied with the good start this new undertak-ing has made. As Mr N. Mahalingam pointed out in his speech delivered at the annual meeting, the factory was built in 17 months, inspite of many shortages of construction mate-rials. Secondly, inspite of rising prices, the capital outlay on the project at Rs 3.65 crores exceeded only marginally the original estimate of Rs 3.50 crores framed in 1972. Mr Mahalingam brought to the attention of the shareholders some more bright spots as well. Thanks to the firm placing of orders for all equipment well before December 1, 1973, the company will be deriving the full benefit of the development rebate. Trial runs have been completed satisfactorily with the crushing of 21,000 tonnes of cane and it is expected that as much as 300,000 tonnes will be crushed before the end of 1974 and that an average recovery of 9.5 per cent se-cured. Thanks to the attrac-tive open market prices avail-able for free sale sugar and the excise duty rebate for which new factories are eligible in respect of production in excess of 50,000 quintals, the directors expect that reasonable profit will be earned even in the first year of operations.

Mr Mahalingam takes a buoyant view of the prospects of cane cultivation and of the sugar industry in Karnataka where this company is located. The total irrigated area is ex-pected to double in 1978-79 when it will constitute 18 per cent of all cultivable land in this state. A substantial acreage could therefore be found for extending the area under the cane crop. This should be good both for the economy of Karnataka and the national economy since this state shares with Maharashtra the advan-tage of higher sucrose content in cane. Mr Mahalingam suggested that there should be no delay in fixing a higher minimum price for cane for the new season in view of the prevailing high prices for rice, wheat and other commodities and the prospects of an upward revision of procure-ment price for rice before the *kharif* harvest. So far as this company is concerned its chair-man has given encouraging details of the care that is beng given to all aspects of raw material planning. For ins-tance, although the minimum cane price applicable to it is only Rs 80 per tonne, the com-pany has been paying Rs 120 per tonne with a view to en-couraging growers to put more acreage under the crop. The management is confident that it will be able to procure large additional quantities of cane and the central government is therefore being approached for necessary permission for doubl-ing its crushing capacity.

National and Grindlays Bank Limited

In a statement which forms part of the directors' report and accounts for the year 1973, the chairman of National and Grindlays Bank Limited, Lord Aldington, explains that the net profits of the Bank group for 1973 at £ 3,949,000 were lower than in 1972 at £ 5,069,000 principally because of the effect on the group's London profits of the high level of interest rates. But for the highly successful results in most of its overseas territories, a healthily improved position in international lending and good results both through its merchant banking subsidiary Brandts and its Confirming

House, Gillespies, the financial results for 1973 would have been even lower. As it was, the geographical distribution of profits after tax changed sharply as between 1973 and 1972, with the United Kingdom and Europe contributing only 25 per cent in 1973 as against 54 per cent in 1972. Asia and Pacific region increased its share from 24 per cent to 39 per cent and the Middle East from seven per cent to 17 per cent. The figures for Africa were 19 per cent in 1973 and 15 per cent in 1972. At the end of 1973 the Bank group was able to add to its reserves £ 3.7 million from its profit and loss account. Lord Aldington indicated that, while the high level of interest rates continued to affect operations in London adversely in the current year, progress elsewhere is steady and the profitable position built up in the Gulf and in Hong Kong during 1973 would be further developed in 1974.

Mentioning that "this is the last time I shall be writing an annual statement of National and Grindlays Bank Ltd.," Lord Aldington adds that this will be because the name will change on January 1, 1975 to Grindlays Bank Ltd. The word "National" was retained when in 1957, on the merger of the National Bank of India Ltd and Grindlays Bank Ltd. the name of the National Bank of India Ltd was given up. It is felt that the word "National" has become more and more inappropriate and the bank itself is increasingly becoming known simply as Grindlays. The proposed change, therefore, will simply take note of this situation and formalize it.

The bank's network in this country saw rapid progress in 1973 in the organizational and business fields. A new marketing structure, emphasizing training in marketing and in modern methods of credit analysis, was organized. Under this system, account managers fully qualified to supply finance and allied services in specified market segments were posted in the larger cities. In the area designated "Operations", attention is being paid to the special training of officers and clerical staff, systems are being changed and modernized and office layouts and premises re-designed. All this is intended to improve the quality and speed with which the bank would serve its customers. The bank has adopted the participative mode of Management by Objectives and this approach was introduced in Bombay in 1973 and it is expected to be soon in operation throughout the bank's entire Indian network. The bank's credit analysis training establishment in Calcutta provides advanced credit skills to its marketing personnel while basic training in executive skills is being imparted through facilities established in Bombay. In the business field the bank's customers did particularly well in exports and it is proposed to give increasing

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nd innovative attention to his sector.

In April last year the bank et up its Small Scale Consul-ancy Services Division in Calcutta and this service was ubsequently extended to Bombay. This division is ntended to serve the small-scale industry by offering a variety of specialist manage-ment services in the fields of ystems design, marketing and financial control. A unique feature of the functioning of his division is that its services are available to all entrepre-neurs in small-scale industry, whether they are customers of the bank or not. While depo-sits of Grindlays in India showed over the year 1973 an increase of Rs 34 crores at Rs 368 crores, advances at Rs 265 crores registered an im-provement of Rs 33 crores. The share of advances to the priority sectors including ex-ports and small-scale industry was Rs 85 crores in 1973 as against Rs 71 crores in 1972.

Central Bank of India

The deposits and other ac-counts of the *Central Bank*, rising from Rs 804.77 crores to Rs 934.15 crores over the year 1973, showed an improve-ment of Rs 129.38 crores which was marginally better than the gain of Rs 121.86 crores over the previous year. Whereas fixed deposits had gone up by Rs 73.84 crores in 1972 they had increased by only Rs 66.33 crores in 1973. As against this, the expansion of savings bank deposits was quite substantial, the increased figure for 1973 being Rs 40.31 crores as against Rs 27.83 crores in the previous year. Advances, which had slightly declined from Rs 477.15 crores in 1971 to Rs 470.33 crores in 1972, recovered sharply to Rs 623.95 crores in 1973. This meant that the credit-deposit ratio improved strikingly from about 58.4 per cent to about 66.8 per cent between 1972 and 1973.

The higher level of busi-ness is reflected in an improve-ment in profits after tax from Rs 2.17 crores in 1972 to Rs 2.95 crores in 1973. It may be recalled that in 1972 profits after taxation had shown a decline from Rs 2.88 crores in 1971. Although the net profit for 1973 recovered the ground lost in 1972 and is marginally more than the net profit for 1971, it may be noted that advances were at the level of Rs 623.94 crores as on the December 31, 1973 as compared with Rs 477.15 crores as on December 31, 1971. Quite obviously, the bank's costs have been going up steadily on account of the interest paid on deposits and emoluments to staff absor-bing a good part of the profits accruing from improved utili-zation of the increased depo-sits. This, however, is a trend which is noticed throughout the banking system. What is noteworthy in the results of the Central Bank in 1973 is the high credit-deposit ratio achieved over the year al-though this does not necessarily indicate that the year-end credit-deposit ratio was representa-tive of the bank's experience in this respect for the best part of the year.

Gwalior Rayon

The Gwalior Rayon Silk Mfg. (Wvg.) Co. Ltd has turned out excellent working results during the year ended March 31, 1974, with turnover, gross profits, margins, all recording impressive improve-ments over the previous year's encouraging performance. Sales pierced the Rs 100-crore mark and stood at the peak figure of Rs 101.86 crores as compared to Rs 87.15 crores in 1972-73. Gross profit leaped by 52 per cent, rising spectacularly from Rs 11.86 crores to Rs 18.13 crores. The ratio of profit to sales too registered a smart rise from 13.62 per cent to 17.8 per cent. In keeping with its past traditions the directors would have recommended a higher dividend, however, in view of the Dividend Ordi-nance, the directors have re-commended an equity dividend of 12 per cent—the maximum permissible under the ordi-nance—as against 22.5 per cent paid in 1972-73. The company is awaiting the gov-ernment's consent to its pro-posed three-for-five bonus issue. (The consent has since been received).

The company has embarked on a massive programme of modernisation and expansion of its plants at Mavoor and Nagda. The company is seeking an industrial licence for setting up a polynosic staple fibre plant with a daily pro-duction capacity of 100 tonnes. The proposed plant will in-volve a total capital outlay of about Rs 70 to 75 crores which will be raised mainly from internal sources and bor-rowings. It will commence partial production in about two years from the receipt of the licence and attain the full rated capacity within five years. Based entirely on the com-pany's know-how it will generate a turnover of Rs 40 to 45 crores a year. The com-pany will also manufacture the special quality of pulp required by it. The company has also submitted an appli-cation to the government for allowing diversification of its activities for the manufacture of dissolving pulp and paper plant and machinery based on the company's own know-how.

Out of the gross profits earn-ed during 1973-74 the directors have appropriated a sum of Rs 501.61 lakhs to depreciation reserve as against Rs 467.78 lakhs while the allocation to development rebate reserve was reduced from Rs 246.41 lakhs to Rs 86.31 lakhs. Taxa-tion absorbed Rs 778.00 lakhs as compared to Rs 313.00 lakhs. This leaves a substan-tially higher net profit of Rs 447.75 lakhs as compared to Rs 159.42 lakhs in the previous year. Out of this, a sum of Rs 232.75 lakhs was transferred to the general reserve as against Rs 44.42 lakhs while the amount set apart for preference share, redemption reserve was maintained at Rs 15 lakhs. The allotment for replacement and rehabilitation reserve was doubled to Rs 200 lakhs. The directors have attributed the encouraging results achieved during the year to the fine performance of all the three divisions namely the caustic soda project, the machinery division and the Harihar Poly-fibres unit. The company's current working has been quite satisfactory with all its plants working to capacity. The sales so far have recorded a rise of about 20 per cent over the corresponding figure of last year.

South India Viscose

In his annual address to the shareholders of *South India Viscose Ltd*, the Chairman, Mr R. Venkataswamy Naidu, made special reference to the progress made by the company in the implementation of its massive expansion program-mes. The staple fibre expansion scheme of 20 tons per day capacity has been completed as per schedule at a cost of about seven crores of rupees. The plant commenced trial runs in the first week of Dec-ember 1973 reaching its full rated output of 20 tons per day within the month itself. As for the establishment of the polynosic staple fibre plant in its factory at an estimated cost of Rs 10 crores, the company has entered into an agreement with Messrs Italviscosa East-ern Trading S.P.A., of Italy for the supply of plant and machinery, technical know-how and assistance. The agreement has been approved by the government. The lic-ence for the import of machi-nery is expected to be received shortly. Regarding the doubl-ing of the capacity of its pulp plant, it has already received the industrial licence and also clearance from the government for the import of most of the machinery and equipment.

In view of its ambitious ex-pansion programmes in hand, the company has requested the Tamil Nadu government for the allotment of more areas of pulpwood from the govern-ment forests. To supplement the supplies of pulpwood, trial tests are now on with other species of wood in consul-tation with its collaborators. The company is at present paying lease amount for wood much higher than was agreed to by the government originally. Having regard to the larger quantities of pulpwood the company needs in future, it is

earnestly hoped that the government will consider sympathetically the company's request for reduction in the lease rate. As regards its performance in 1973, it is gratifying to note that in spite of unprecedented difficulties such as drastic and prolonged power cuts, the company was able to maintain profits and keep up production at reasonably satisfactory levels.

News and Notes

English Electric Company of India Ltd has received licences for the manufacture of low tension cartridge fuses, fuse switch units and various types of relays and control panels. It has also secured letters of intent for the manufacture of distance protection and automatic semaphore indicator relays and control panel accessories. Meanwhile it expects to obtain further licences for specialised products for which there are urgent demands in the country. The company has got enough resources for the implementation of all these projects.

Indian Dyestuff Industries has obtained a letter of intent for the expansion of vat dyes from 625 tonnes ot 825 tonnes per annum and also for the manufacture of pigments with a capacity of 500 tonnes per annum.

Bilaspur Spinning and Weaving Mills proposes to issue 2,45,000 equity shares of Rs 10 each on rights basis to the existing shareholders in the ratio of two new equity shares for every five shares held. The new shares will rank *pari passu* with the existing shares, including for dividend and will be issued to the shareholders whose names appear on the register as on August 24.

Dividends

Revised Dividends (Per cent)

Name of the company	Year ended	Dividend declared	
		Before ordinance	After ordinance
Straw Products	Dec. 31, 1973	12.0	4.4
National Rayon	Dec. 31, 1973	30.0	11.20
Escorts	Dec. 31, 1973	14.0	10.0
Shre Niwas Cotton Mills	Dec. 31, 1973	15.0	12.0
Widia (India)	Dec. 31, 1973	15.0	12.0
Raymond Woollen Mills	Dec. 31, 1973	12.0	8.8
Kohinoor Mills	Dec. 31, 1973	12.0	4.42
Baroda Rayon	Dec. 31, 1973	12.0	5.23
Cochin Malabar Estate	Feb. 28, 1974	12.0	11.0
Permanent Magnets	Dec. 31, 1973	12.0	8.56

Dividend Announcements (Per cent)

Name of the company	Year ended	Dividend declared	
		Current year	Previous' year
Higher Dividend			
Arvind Mills	Dec. 31, 1973	22.0	20.0
Finlay Mills	Dec. 31, 1973	14.0	12.0
Gaekwar Mills	Dec. 31, 1973	20.0	16.0
Rohit Mills	Dec. 31, 1973	13.0	11.0
Raja Bahadur Motilal	Dec. 31, 1973	10.0	8.0
Gold Mohur	Dec. 31, 1973	14.0	12.0
Laxmi Vishnu Textiles	Dec. 31, 1973	12.5	Nil
Saraspur Mills	Dec. 31, 1973	24.0	18.0
Vasanta Mills	Dec. 31, 1973	12.0	9.0
Aruna Mills	Dec. 31, 1973	20.0	16.0
Jawahar Mills	Dec. 31, 1973	15.0	12.0
Reduced Dividend			
National Tobacco	Dec. 31, 1973	Nil	5.0
India Cements	March 31, 1974	Nil	8.0
Karanpura Development Co.	Dec. 31, 1973	Nil	5.0

Licences and Letters of Intent

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951 during the weeks ended February 8 to February 23, 1974. The list containing, the names and addresses of licensees, articles of manufacture, types of licences viz New Article (NA); New Undertaking (NU): Substantial Expansion (SE); Carry on Business (COB); Shifting — and annual installed capacity. Details regarding letters of intent, revoked, cancelled or surrendered are also given.

Licences Issued

Metallurgical Industries (Ferrous)

M/s Polysteels (India) Ltd; Mehta Chambers, M. G. Road Bhavnagar (Bhavnagar — Gujarat) — Mild Steel Billets (by Continuous Casting process) — 40,000 tonnes p.a.

M/s Rainbow Steel Ltd; Meerut Road, Muzaffarnagar (Muzaffarnagar — UP) — Continuous Cast Mild Steel Billets —40,000 tonnes p.a.

M/s Vaid Steels, Industrial Area, Aishbagh, Lucknow (Luck—UP)—Mild Steel Billets (by Continuous Casting process)—40,000 tonnes p.a.

M/s Pench Steels Ltd; Hong Kong House, 31, Dalhousie Squar (S) Calcutta—1. (Shahganj—West Bengal)—Mild Steel Billets (by Continuous Casting process)—35,000 tonnes p.a.

Metallurgical Industries (Non-Ferrous)

Shri B. D. Pande, Mg. Dir., M/s Emmes Metals Pvt. Ltd; 147—Government Industrial Estate, Kandivli, Bombay—67. (Bombay—Maharashtra)—Non-Ferrous Alloys—2045 tonnes p.a.—Non-Ferrous Castings—24 tonnes p.a.

Electrical Equipment

M/s Hind Rectifiers Ltd; Lake Road, Bhandup, Bombay—78. (Bombay—Maharashtra)—Epoxy Moulded Devices—2 mill. nos. p.a. (NU)

Industrial Machinery

M/s Modi Industries Ltd; Modinagar. (Sikandrabad, Dist: Bulandshahar. Uttar Pradesh)—Aluminium Cops—25 lakh nos. pa—(NU)

Machine Tools

M/s Glass Equipment (India) Ltd: Bhahadurgarh, Distt: Rohtak, Haryaua. (Bhahadurgarh—Haryana)—Glass Manufacturing Machinery: (i) Complete Machine—10 nos. p.a.

Chemicals (Other than Fertilisers)

M/s Traco Carbide Ltd; 77/1-A, Park Street, Calcutta—16. (Ikra—Assansol, Distt: Burdwan, West Bengal)—Calcium Carbide —14,850 tonnes p.a.—(NU)

Textiles

M/s Nandlal Bhandari Mills Ltd: Indore (M.P.) (Indore—Madhya Pradesh)—Yarn made wholly or partly out of cotton, synthetic and artificial (man-made) fibre—25,000 spindles—(SE)

Soaps and Cosmetics

M/s J.L. Morrison, Son & Jones (India) Ltd; 79, Dr. Annie Besant Rd; Worli, Bombay—18. (Bangalore—Karnataka)—Tooth Paste—15,099 Kgs. p.a.—(C.O.B.)

Rubber Goods

M/s Jaya Shree Textiles & Industries Ltd; P.O. Rishra,

ɔogly. (Rishra—Hoogly West Bengal)—Controlled Percola-ɔn Hoses 3,60,000 metres. p.a.—(NU)

Letters of Intent

Metallurgical Industries (Ferrous)

M/s Assam Industrial Development Corporation Ltd; Kan-ıchal Road, Silpakhuri, Gauhati—3. (Assam)—Sponge Iron—),000 tonnes p.a.—(NU)

Metallurgical Industries (Non-Ferrous)

Shri Partha Mukherjee, 40, Baldeopara Road, Calcutta—6. Vest Bengal)—Electrolytic Manganese Dioxide—1,200 tonnes a.—(NU)

Electrical Equipment

M/s Uttar Pradesh Poorvanchal Vikas Nigam Ltd; 242, Kan hari Bazar, Faizabad. (Uttar Pradesh—GLS Lamps—7.5 mill. ɔs. p.a.—(NU)

Shri J, M. Deb, c/o Frantial Engineering, Panbazar, Gau-ati. (Assam)—GLS Lamps—7.5 mill. nos. p.a.—(NU)

Transportation

Shri Shahi K. Somani, A—26, West End, New Delhi—22. Haryana)—1. Clutch Cover Assembly sets—40,000 sets p.a. -Clutch Drive Plate Assembly—1,00,000 sets p.a. — Hydrau-c Brake Assembly—40,000 sets p.a. — Components & Spares ɔr brake Assembly—Rs. 20 lakhs p.a.—(NU)

Shri Murari Lal Goel, Jagdalpur (Bastar), Madhya Pradesh. Sarona—Raipur—M.P.)—Automobile Gaskets—30 mill. nos. .a. (NU)

Mechnical & Household Equipment

M/s New Politex Industries, 'A', Him—Chem Industrial Es-ate, Bhandup, Bombay. (Maharashtra)—Polystryrene Foam heets & Beads—2,000 tonnes (NU)

Shri Man Mohan Lal Goel, 23, Naya Ganj, Ghaziabad. Ghaziabad—Uttar Pradesh)—Spanners — 1,500 tonnes Wren-hes — 1,000 tonnes. Pliers — 250 tonnes, Other Hand Tools Excluding Hammers) — 250 tonnes p.a.—(NU)

Fertilisers

M/s Nagarjuna Fertilisers Ltd; 7 Linghi Chetty Street Madras. (Kakinada—Andhra Pradesh)—1. Nitrogen — 22,80,00 onnes p.a. 2. P_2O_5 — 81,600 tonnes 3. K_2O— 69,700 ton-ıes —(NU)

Chemicals

The Madhya Pradesh Audhyogik Vikas Nigam Ltd: 36, Bad-ada Road, Bhopal. (Madhya Pradesh—Stable Bleaching Pow-der—10,000 tones p.a.—(NU)

M/s Mehr Enterprises, A—58, South Extn. Part II, New Delhi. (Punjab)—Polypropylene Box Strappings, 439 lakh met-res p.a.—(NU)

M/s Geep Flashlight Industries Ltd; 22. Road. Allahabad. (Allahabad—U.P.)—Electrolytic Manganese Dioxide 2,500 tonnes p.a.—(NU)

M/s Industrial Development Corporation of Orissa Ltd; Bhubneswar. (Orissa)—Electrolytic Manganese Dioxide—3,000 tonnes p,a.—(NU)

M/s Sarabhai M.Chemicals (P) Ltd; Wadi Wadi, Baroda—7 (Baroda—Gujarat)—Fungal Amylase; Fungal Protease: Fungal Lipose; Fungal Cellulose. (total 5 tonnes p.a.)—(NA)

Food Processing Industries

M/s V.S. Dempo & Co. Pvt. Ltd; Dempo House, Panaji House, Panaji. (Belgaum—Karnataka)—Whole milk Powder—850 tonnes Infant Food —450 tonnes Skimmed Milk Powder—600 tonnes Weaning Foods—180 tonnes—(NU)

M/s Pradeshik Co-oporative Dairy Federation Ltd; 29—Park Road, Lucknow. (Dalpatpur, Distt: Moradabad, Uttar Pradesh)—Baby Food — 2,000 tonnes p.a. Skimmed Milk Powder —1,500 tonnes—(SE)

Leather and Leather Goods

M/s Swami & Company, 34, Sydenham Road, Periamet, Madras—3. (Tirupattur, North Arcot, Tamil Nadu)—Vegetable Wet Blue Chrome Tanned Skins—5 lakh nos. p.a. Finished Leather—1.5 lakh nos. p.a.—(SE/NA)

Letters of Intent Cancelled, Revoked or Withdrawn

(Information pertains to particular licences only)

M/s Usha Automobile & Engg. (P) Ltd; 2, Ramgopal Ghosh Road, Calcutta.—Metallic Industrial Springs.

Shri R.L. Jain, 401, Akash Deep, Barakhamba Road, New Delhi—Belt Pulleys for Agricultural Tractors.

M/s British India Electric Construction Co. Ltd; 160—Jorbagh, New Delhi.—Commutators & Slip Rings.

Shri Udayajeet Prakash, D-1/53, Vasant Vihar, New Delhi.—Engine Valves, Valve Guides, Pushrods, etc.

Licences Issued

Metallurgical Industries (Ferrous)

M/s Consolidated Steels & Alloys Ltd; Somani Bhavan, Naya Ganj, Noughara, Kanpur—(Bhanmore, Distt: Morena, Madhya Pradesh)—Mild Steel Ingots—25,000 tonnes p.a.

Shri G.D. Shah, M/s Sidhartha Steels Ltd; 25, Netaji Subhas Road, Calcutta—(Rishra-Hooghly-West Bengal)—Steel Ingots—18,000 tonnes p.a.

M/s Fort Williams Co. Ltd; 12-Netaji Subhas Road, Calcutta-1—(Konnagar-Hooghly-West Bengal)—Cable Armouring Wire (Round & Flattened); Spring Steel Wire (1 to 30 SWG) Alloy Steel Wire (Excluding stainless steel wire)—Total: 6,000 tonnes p.a.—(SE)

Metallurgical Industries (Non-Ferrous)

M/s Impact Containers Pvt. Ltd; 7-New Bellevue, Ist Mahatma Gandhi Rd; Borivli (East), Bombay—(Baroda—Gujarat)—Aluminium Collapsible Tubes—45 million nos. p.a.—(NU)

Electrical Equipment

M/s Asian Electronics Ltd; Handloom House, 3rd Floor, 221, Dr. D.N. Road, P.O. No. 1863, Bombay—(Nasik—Maharashtra)—T.V. Picture Tubes—20,000 nos. p.a.—(NA)

M/s Electronics & Computers (India) Ltd; 1008, Akashdeep, Barakhamba Rd; Connaught Circus, New Delhi-1—(Ghazhiabad— U.P.)—Integrated Circuits—2.0 million nos. p.a.—(NA)

M/s Mahindra & Mahindra Ltd; Electronic Division, Worli Road-13, Worli, Bombay—(Bombay—Maharashtra)—Electronic Desk Calculators—2,000 nos. p.a.—(NA)

M/s Semi Conductors Ltd; Radha House, 5th Floor, No. 6 Rampart Row, Fort, Bombay-1—Bombay—Maharashtra)—Semi Conductor Devices (Transistors & Diodes)—18.0 million nos. p.a. Thermistors/Variators—4.0 million nos. p.a —(SE)

M/s Rajasthan State Industrial & Mineral Development Corporation Limited, 100-Jawaharlal Nehru Marg, Jaipur-4—(Jaipur—Rajasthan)—T.V. —5,000 sets p.a.—(NU)

M/s Teletube Electronic (P) Ltd; 7/22, Roopnager, Delhi—(Ghaziabad—U.P.)—Black & White T.V. Picture Tubes—40,000 nos. p.a.—(NU)

M/s John Oakey & Mohan Ltd; 1/754, Chabiganj, Kashmere Gate. Delhi-6—(Mohan Nagar-Ghaziabad-U.P.) Grinding Wheels—2,000 tonnes p.a.—(NA)

Industrial Instruments

M/s W.S. Insulators of India Ltd; Dhun Builders, 175/1, Mount Road, Madras-2—(Porur, Madras-Tamil Nadu)—Coupling Capacitors with Potential Devices—400 nos p.a. Line Traps Wave Traps —400 nos. p.a. Nine Matching Units—400 nos. p.a.—(NA)

Chemicals

M/s Malwa Vanaspati Chemical Co. Ltd; Mohata Nagar, Bhagirathpur, Indore—Indore-Madhya Pradesh)—Oxygen Gas —0.255 mill. Cu. M.—(SE)

M/s Aims Oxygen (P) Ltd; Padra Road, Baroda-5—(Baroda—Gujarat)—Oxygen Gas—0.45 M.C.M. Nitrogen Gas —0.18 M.C.M.—(SE)

M/s Deepak Nitrite Ltd; 72-Advent, 12-A, Foreshore Road, Bombay-1—(Nandesari-Baroda-Gujarat)—Nitric Acid (57%)—18,000 tonnes p.a. Ammonium Nitrate—5,000 tonnes p.a. Nitric Acid Concentrated—3,000 tonnes p.a. Sulphuric Acid—10,000 tonnes p.a. Ferric Alum—18,000 tonnes p.a.—(NA)

M/s Everest Refrigerants Ltd; Khetan Bhawan, 198, J. Tata Road, Bombay-20—(Dombivli-Thana-Maharashtra)—Hydroflouric Acid—2,300 tonnes p.a. Aluminium Fluoride—2,000 tonnes p.a.—(SE)

M/s Excel Industries Ltd; 184-87, S.V. Road, Jogeshwari, Bombay-60—(Bhavnagar—Gujarat)—Phosphorous Pentasulphide—3,000 tonnes p.a.—(SE)

M/s The Ruby Mills Ltd; Lady Jamshedji Road, Dadar—Bombay-28—(Bombay—Maharashtra)—Cotton Cloth—48 ordinary looms of indigenous made—(SE)

Textiles

M/s Industrial Development Corporation of Orissa Ltd; Bhubaneshwar—(Cuttack—Orissa)—D.W. Tarpaulin—2,462 tonnes p.a. Sackings—10,778 tonnes p.a. Total—13,240 tonnes p.a.—(NU)

Sugar.

M/s Sahakari Sangh, P.O. Singhi, Tehsil Nighsan, Distt: Kheri, Uttar Pradesh (Uttar Pradesh)—Sugar—1,250 tonnes canes crushing capacity per day—(NU)

Leather and Leather Goods

M/s Srivathsa Industries. 20-C, Ormes Road, Kilpauk, Madras-10 (Madras—Tamil Nadu)—E.I. Tanned and Vegetable Tanned Skins—2.2 lakh nos. p.a.—(SE)

M/s I.A. Ismail & Co., 35, V.V. Koil Street, Madras—(Ranipet—North Arcot, Tamil Nadu)—E.I. Wet Blue Chrome Tanned Hides & Calf Skins—4.1 lakh nos. p.a. (COB)

M/s Tata Exports Ltd; Jeevan Tara Building, Parliament Street, New Delhi-1—(Dewas—Madhya Pradesh)—Finished Leather—13.59 million sq. ft. Leather Garments—1,20,000 nos. p.a.—(NU)

M/s Farida Prime Tannery, 8-V.V. Koil Street, Periampet, Madras-3—(Ambur-North Arcot-Tamil Nadu)—Finished Leather—7,50,000 pieces p.a. (NA)

M/s Bajaj Leather Pvt. Ltd; 2nd Floor, Behramji Mansion, Sir P.M. Road, Fort, Bombay—(Bombay—Maharashtra)—Leather Wallets & Leather Belts—25,00,000 nos. p.a. Leather Garments—25,000 nos. p.a. (NU)

Metallurgical Industries (Ferrous)

The Managing Director, Tamil Nadu Industrial Development Corporation Limited, 150-A, Anna Salai, Madras—(Arkonam, North Arcot, Tamil Nadu)—High Carbon Wire Rods—40,000 tonnes p.a.—(NU)

M/s Haryana State Industrial Development Corporation Limited, SCO 4 and 5, Sector-17, Chandigarh—(Hissar Haryana)—High Carbon Wire Rods—40,000 tonnes p.a.—(NU)

Shri Subodh Chandulal Shah, c/o Jamantilal Chandulal & Co., Iron Market, Carma Bunder, Bombay—(Daskroi Tehsil, Ahmedabad, Gujarat)—Un-machined Steel Forgings—3,000 tonnes p.a.—(NU)

M/s Gogte Steels Ltd; New India Centre, 17-Cooperage Road, Bombay-1—(Tarapore-Thana-Maharashtra)—High Carbon Wire Rods—40,000 tonnes p.a.—(NA)

M/s Salem Steel Limited, 5-A/150, Railway West Colony Salem—(Salem—Tamil Nadu)—Stainless Steel Cold Rolled—65,000 tonnes p.a. Stainless Steel not Rolled—5,000 tonnes p.a. Electrical Steel Cold Rolled—75,000 tonnes p.a. Special Steel Hot Rolled—30,000 tonnes p.a. Mild Steel Hot Rolled—20,000 tonnes p.a. (Total: 1,95,000 tonnes)—(NU)

Electrical Equipment

Shri H.P. Bhatnagar, B-15, Green Park, New Delhi—(Haryana)—Midget Electrodes—200 million nos. p.a.—(SE)

M/s Britelite Carbons Ltd; 206, New Anand Bhavan, 259 Narshi Natha Street, Bombay—(Gujarat)—Midget Electrodes—225 million nos. p.a. (SE)

M/s Poddar Electronics Ltd; Hong-Kong House, Ist Floor 31, Dalhousie Square, Calcutta-1—(Faridabad—Haryana)—Midget Electrodes—300 million nos. p.a. (NU)

Shri Ashok Khanna, 759, Sector—8-B, Chandigarh—Ropar—Punjab)—Midget Electrodes—300 million nos. p.a. (NU)

Shri R.C. Agarwal; A-3, Prithviraj Road, New Delhi-3—(Rajasthan)—Midget Electrodes (150 million nos. p.a.)—(NU)

Shri L. Khaitan, 96, Garden Rach Road, Calcutta-23—(Rajasthan)—Midget Electrodes (300 million nos. p.a.)—(SE)

M/s Kerala State Electronics Development Corporation Limited, 1133 & 1134, Sasivihar, Perror-Kada Trivandrum—(Kerala)—Monolithic Capacitors—9 million nos. p.a. (NU)

M/s Kerala State Electronics Development Corporation Ltd 1133 & 1134, Sasivihar, Peroor-Kada, Trivandrum—(Kerala)—Aluminium Electrolytic Capacitors—18 million numbers p.a.—(NU)

M/s Tube Light Starter Mfg. Co., 3/2, Bhagwan Gangul Lane, Howrah—(Howrah—West Bengal)—Inside Silver Coated Lamps—0.5 million pieces p.a,—(NA)

Transportation

Shri C.L. Mittal, Waltair Upland. Visakhapatnam—(Baripada, Mayurbhanj, Orissa)—Automobile Axles—5 lakh nos p.a. —(NU)

Miscellaneous Industries

Shri P.L. Kohli, 111/J-25, Lajpat Nagar, New-Delhi-24—(Haryana)—Wire Drawing Diamond Dies—5,000 nos. p.a. —(NU)

Chemicals

Shri Punam Chand Rathi, F-7A, Hauz Khas Enclave, New Delhi—(Mahendragarh—Haryana)—Calcium Carbide—14,85 tonnes p.a. —(NU)

Drugs & Pharmaceuticals

M/s Indian Drugs & Pharmaceuticals Ltd; N-12, Sout

tension Part-1, Ring Road, New-Delhi—(Hyderabad-Andhra radesh)—Allopurinol 2 tonnes, Diallybarbitone 10 tonnes, ecobarbitone 10 tonnes, Nitrofurantion 10 tonnes, Nitrofura-one 1 tonne, Sulphaphenazole 50 tonnes—(NA)

Food Processing Industries

M/s Khema Exports (P) Ltd; Vulcan Insurance Bldg; Veer Nariman Road, Churchgate Reclamation, Bombay—(Mulund—Maharashtra)—Processed Shrimps and other types of fishes—1,650 tonnes p.a. — (NU)

Leather and Leather Goods

Shri H.G. Goenka, C-161, Defence Colony, New Delhi—(Runakta, Mathura-Agra Border, UP)—Garment Suede 3.0 lakh, Clothing Neppa 1.5 lakh, Glaze Kid 1.5 lakh, Lining 4.5 lakh—(NU)

Shri Arati Magarwala, F-30, Hauz Khas Enclave, New Delhi (Bihar)—Finished Leather from Goat & Sheep Skins—8,00,000 nos. p.a. —(NU)

Change in Names of Owners or Undertakings

(Information pertains to particular licences only)

From M/sAjanta Iron & Steel Co. Delhi—to — M/s Ajanta Iron Steel Co. (P) Ltd; New Delhi

Licences Issued

Metallurgical Industries (Ferrous)

Shri G.S. Sureka, Partner: M/s Siliguri Steels 5-Clive Row, 2nd Floor, Room No. 42, Calcutta-1—(Siliguri—West Bengal)—Steel Ingots—12,000 tonnes p.a.

M/s New Digvijaysingji Tin Factory, Grain Market, P.B. No. 24, Jamnagar—(Jamnagar—Gujarat)—Tin Containers (Un-Printed upto 18 litre capacity)—1484 tonnes p.a.—(COB)

Telecommunications

M/s Kerala State Electronics Development Corporation Ltd; Post Box No. 105, Vallayambalam, Trivandurm—(Karakulam—Kerala)—Television Sets—5,000 nos. p.a.—(NU)

Transportation

M/s Special Engg. Services Ltd; 16-Cossipore Road, Calcutta-2—(Calcutta—West Bengal)—Axle Box Housing & Components for Axle Boxes—24,000 nos—(NA)

M/s Upper India Bearings (P) Ltd; 4-147, Mackey's Garden, Madras-6—(Madras—Tamil Nadu)—Bimetallic Bearings Halves & Washers—15,00,000 nos. p.a.—Bimetallic Bushes—15,00,000 nos. p.a.—(SE)

Industrial Machinery

M/s Asiatic Oxygen Ltd; 8-Dalhousie Square East, Calcutta. —(Bangalore—Karnataka)—Acetylene Plants upto 85 Cu.M.——12 nos. p.a.—(NA)

Earth Moving Machinery

M/s Larsen & Toubro Ltd; Gulab Bhavan, 6-Bahadur Shah Zafar Marg, New Delhi-1—(Bangalore—Karnataka)—Multi-purpose Hydraulic Excavator Loaders upto maximum capacity of 1.12 Cu. Metres (1—5 Cu. Yds.)—150 nos. p.a.—High Pressure Hydraulic Systems and System Components—Rs 2 crores—(NU)

M/s Garden Reach Workshop Ltd; 43/46, Garden Reach, Calcutta-24—(Calcutta—West Bengal)—Diesel Road Rollers (8-10 tons)—600 nos. p.a.—(SE)

Chemicals

M/s Ralli Chemicals Ltd: 21, Ravelin Street, Bombay. (Magarwara, Unnao UP)—Sodium Hydrosulphite—1000 tonnes p.a.—(COB)

M/s Tribeni Tissues Ltd; 3-Middleton Street, Calcutta-16—(Triveni—West Bengal)—Precipitated Calcium Carbonate—1,400 tnnnes p.a.—(SE)

Textiles

M/s Standard Mills Co. Ltd; Mafatlal House, Backbay Reclamation, Bombay-20.BR—(Bombay—Maharashtra)—Cotton Yarn—25,000 spindles—(SE)

M/s V.R. Textiles (P) Ltd; Peelamedu P.O., Coimbatore-4—(Coimbatore—Tamil Nadu)—Cotton Yarn—25,000 spindles—(SE)

M/s Shree Saraswati Spg. Mills, P.O. Birla Colony, Bhiwani—(Bhiwani—Haryana)—Cotton Yarn—25,000 spindles—(SE)

Letters of Intent

Metallurgical Industries (Ferrous)

Shri H.K. Nathani, Akash Deep, 5-Lower Roadson Street, Calcutta—(Himachal Pradesh)—Grey Cast Iron by Continuous Casting Process—3,000 tonnes p.a.—(NU)

The Managing Director, Tamil Nadu Industrial Development Corpn. Ltd; ISC-A, Anna Salai, Madras-2—(Tamil Nadu—Grey Iron Castings—20,000 tonnes p.a.—(NU)

Electrical Equipment

M/s B. Chowdhury & Co. Indian Globe Chambers, Fort, Street, Bombay-1—(Bombay—Maharashtra)—Halogen Lamps—1,50,000 nos. p.a. (NA)

M/s Sylvania & Laxman Ltd; 68/2, Najafgarh Road, New Delhi-15—(New Delhi)—Fluorescent Powders—60 tonnes p.a.

Smt. Nandrani A Gupta, c/o High Land Farm, Lonavala (Poona)—(Kolaba—Maharashtra)—Fluorescent Powders—60 tonnes p.a.—(NU)

M/s Jain Lamp & Allied Ind. (P) Ltd; 18-A, Pokharpur, Kanpur.—(Kanpur—U.P.)—Train Lighting Pamps—3 mill. nos. p.a.—Glass Shells—10 mill. nos. p.a.—(NA)

M/s Telerad (P) Ltd; Saki Vihar Road, Chandivili, Bombay—(Bombay—Maharashtra)—Record Players/Changers—50,000 nos. p.a.—Tape Recorders—20,000 nos. p.a.—(NA)

M/s Union Electric Company, L-38, Connaught Circus, New Delhi—(Delhi)—Moulded Case Circuit Breakers 415 Volts AC/250 DC.(100to 2,000 amps.)—5.000—(NU)

M/s D.C.M. Data Products, Prop: SBM Premises, Shivaji Marg, New Delhi-1—(Delhi)—Electronic Desk Calculators—7,000 nos. p.a.—(SE)

M/s ACC Vickers-Babcock Ltd: Express Towers, 18th Floor, Nariman Point, Bombay-1. (ACC Works Shahabad Karnataka)—Power Boilers—10 lakh KW. per annum—(SE)

M/s British Physical Laboratories India Pvt. Ltd. Mahatma Gandhi Road, Bangalore—(Palaghat—Kerala)—Powerline Protective Relay Equipment—100 nos. p.a.—Superwisory Power Control Equipment—100 nos. p.a.—Power System Data Transmission Equipment—100 nos. p.a.—(NA)

M/s Tata-Merlin & Gerin Ltd; Raj Mahal, 84-Veer Nariman Road, Bombay—(Thana—Maharashtra)—Air Blast Circuit Breakers upto 220 KV only—35 nos. p.a.—(SE)

Transportation

M/s Bharat Springs Pvt. Ltd; 11-C, Benham Hall Lane, Girgaum. Bombay (Tehsil: Taloja, Disst: Panvel, Maharashtra)—Automobile Leaf Springs And Assemblies—4,800 tonnes p.a.—(SE)

M/s Amalgamation Repco Ltd; G.N.T. Road, Madhawaram,

Madras-60—(Nagpur—Maharashtra)—Automotive Clutch Driven Plates—2,40,000 nos. p.a.—(SE)

Industrial Machinery

M/s Atlas Copco (India) Ltd; Mahatma Gandhi Memorial Building; Netaji Subhas Road, Bombay-2, (Poona—Maharashtra) —Hamer—160 nos. Rotation Unit—80 nos. Carrier—80 nos. Feed Beam—80 nos. Winch—80 nos. Drill Tubes—1,600 nos.—(NA),

M/s Kishore Engineering Co.,Churchgate House, 3rd Floor, 32, Veer Nariman Road, Fort, Bombay—(Maharshtra)—Crimping Machine—6 nos. of 96 spindles each- (NU).

M/s Bhogilal H. Bachkaniwala, Hiralal Colonoy, Ashwani Kumar Road, Surat—(Surat—Gujarat)—Crimping Machine—6 nos. of 96 spindles each—(NU).

M/s Banelon Industries, 109, Sir Vithaldas Chambers, 16, Apollo Street, Fort, Bombay-1—(Andheri, Bombay, Maharashtra)—Crimping Machines—6 nos 96 spindles each—(NU)

M/s Marchon Textile Industries (P) Ltd; 4th Floor, Saheb Building. 195, D.N. Road, Bombay-2—(Bombay—Maharashtra)—Crimping Machine—6 nos. of 96 spindles each —(NU)

Machine Tools

M/s Mysore Kirloskar Ltd; Harihar, Karnataka—(Harihar —Karnataka)—High Speed Treading Machines—24 nos. p.a.—(SE)

Miscellaneous Industries

M/s Indian Petrochemical Corporation Limited, P.O. Jawaharnagar, Distt; Baroda—(Bongaigaon, Goalpara, Assam) —Polyester Films—2,000 tonnes p.a.—(NU)

Chemicals

M/s Madhya Pradesh Audygik Vikas Nigam Ltd; 36, Bhadbhada Road, New Market, T.T. Nagar, Bhopal—(Madhya Pradesh)—Sulpuhuric Acid—66,000 tonnes Super Phosphate—9,800 tonnes Ferric Alum—33,000 tonnes—N.P.K. Fertilizers—66,000 tonnes (NU)

M/s Indian Petrochemicals Corporation Limited, P.O. Jawaharnagar, Baroda—(Baroda—Gujarat)—Propylene Oxide—10,000 tonnes—(NU)

M/s Hidustan Development Corporation Limited, Hindu Familly Building, 27-R.N. Mukherjee Road, Calcutta-1—Maharashtra, Ethylene Diamine & Poiyamines—2,000 tonnes p.a.—(NU)

M/s Bharat Vijay Mills Ltd; Kalol, North Gujarat—(Baroda —Gujarat)—Ethylene Diamine & Polyamines—2,000 - tonnes p.a.—(NU)

Dyestuffs

M/s Indan Dye Stuff Industries Ltd; Mafatlal Center, Nariman Point, Bombay-1—(Bombay—Maharashtra)—Vat Dyes—825 tonnes p.p.—(SE)

Drugs & Pharmaceuticals

M/s The Chemical Industrial & Pharmaceutical Laboratories Ltd; 289 Bellasis Road, Byculla, Bombay-8—(Bombay—Maharashtra)—Benefen Tablets—10 mill. nos. K-mycin Injection—2.5 lakh vials.—K-mycin Capsules—5 lakhs—Dexilons Capsules—20 lakhs—(NA)

M/s Indian Drugs & Pharmaceuticals Ltd; N-12 South Extension, Part I, Ring Road, New Delhi—(Virbhadra, Rishikesh, Dist: Dehradun—U.P.)—6-Dioxy-5-Oxy-Tetracycline Hydrochloride—5,000 B.U.—(NA)

Textiles

M/s Le Mount Ltd; 41, Downing Street, Smethwick, Warley, Woros (UK)—(Bulandshahar—U.P.—Crimped Yarn—1,67,000 Kgs. Knitted Fabrics—14,00,000 Metres.—Hosiery Fabri —4,00,000 Meters—(NU)

Paper & Pulp

M/s Straw Products Ltd; 4-Bahadurshah Zafar Ma New Delhi—(Jaykaypur—Orissa)—M.G. Industrial Packagi & Base Paper—5,5000 tonnes p.a.—(SE)

Shri Munish Kumar, M/s Girdhar Papers Pvt. Ltd; 15 Bankers Street, Meerut Cantt—(Meerut—U.P.)—Packing Wra ping & Corrugating Papers & Boards—3,650 tonnes p. (NU)

Food Processing Industries

M/s Tamil Nadu Agro Industries Corporation Ltd; 'Agr House', Industrial Estate, Madras—(Alangudi or Trriunayan Distt: Thiruchirapalli, Tamii Nadu—Starch—20,000 tonne Glucose—7,000 tonnes Dextrose—3,600 tonnes—(NU)

Shri J. S. G. Davidar, Davidnagar, Padappal, Madras— (Alaggudi, Tiruchirappali, Tamil Nadu)—Maize & Products— 15,000 metric tonnes p.a. Corn Oil—450 M. tonnes p.a. Catt & Paultry Feeds—12,000 M. tonnes p.a. Seed Farm—200 M tonnes p.a. (NU)

Shri Satrughan Gaur, M/s Food Aids & Allied (P) Ltd B-74, Sarvodaya Enclave, New Delhi—(Bhind, Madhya Pradesh —Milk Powder—600 tonnes p.a.—(NU)

Vegetable Oil & Vanaspati

M/s Roshan Lal Oil Mills, Mansa Road, Near I.T.I Bhatinda—(Bhatinda—Punjab)—Cottonseed Oils & othe Products of Cottonseed—55,000 tonnes p.a.—(NU)

Change in Names of Owners or Undertakings

(*Information pertains to particular licences only*)

From Shri C.V. Abraham—to—M/s Beena Roller Flour Mil Pvt. Ltd, Trivandrum.

From M/s Sri Shadi Lal Sugar & General Mills, Muzaffa nagar—to—M/s Swarup Vegetable Products Industries Ltd.

Letters of Intent Cancelled, Revoked or Withdrawn

(*Information pertains to particular licences only*)

M/s Larsen & Toubro Ltd; Gulab Bhavan, Bhadur Sha Zaffar Marg, New Delhi—Telemetering and Telecontrol System

Shri S. S. Kohli, 2 Club Road, Civil Lines, Delhi-6—Nitro Oxide.

Shri V. K. Alimchandani,, 301, Prabhu Kutir, Altamou Road, Bombay-26—Carbon Film & Oxide Resistors.



RECORDS AND STATISTICS

Wholesale prices

THE OFFICIAL wholesale price index for all commodities (with the year ended March, 1962 as 100) advanced by 1.7 per cent to 288.1 during April, 1974 as against 283.2 for March, 1974. At this level the index for April, 1974 was higher by 29.3 per cent when compared to 222.9 for April, 1973. The rise in the all commodities index was shared by an advance in the indices of 'food articles' by 1.6 per cent to 325.5, 'industrial raw materials' by 0.3 per cent to 324.2, 'chemicals' by 3.7 per cent to 271.6, 'machinery & transport equipment' by 2.0 per cent to 217.9 and 'manufactures' by 3.6 per cent to 241.7. However, the indices of 'liquor & tobacco' and 'fuel power, light & lubricants' declined by 1.3 & 0.1 per cent to 219.2 and 287.2 respectively during the month under review.

Food articles

Higher prices of all the cereals (except bajra and barley which witnessed a fall) pushed up the index for 'cereals' sub-group by 7.8 per cent to 327.4 owing to a fall in the prices of gram and urad. The index for 'pulses' sub-group declined by 1.0 per cent to 449.9. On the whole the index for 'foodgrains' moved up by 5.6 per cent to 349.7. At this level the index for 'foodgrains' was higher by 32.7 when compared to that of a year ago.

The sub-group index for 'fruits & vegetables' showed a rise of 0.4 per cent to 305.5 due to higher prices of bananas although the prices of all other commodities under the sub-group declined. The index for 'milk & milk products' sub-group recorded a fall of 0.4 per cent to 306.2 due to a lower prices of ghee. An increase of 0.8 per cent to 383.0 in the sub-group index for 'edible oils' was caused by higher prices of groundnut oil and gingelly oil. The prices of coconut oil and mustard oil, however, receded.

A fall in the prices of eggs & fish was almost neutralised by a rise in the prices of meat with result the index for 'fish, eggs & meat' sub-group stood at 477.1 as against 477.3 for the previous month. The sub-group index for 'sugar & allied products' declined slightly by 0.2 per cent to 269.8 due to lower prices of sugar.

Index Numbers of Wholesale Prices by Groups & Sub-Groups (Base : 1961-62 = 100)

Groups & Sub-Groups	April 1974	March 1974	April 1973	Percentage rise (+) or fall (—) in April '74	
				March '74	April '73
Food Articles	325.5	320.5	255.9	+1.6	+27.2
Foodgrains	349.7	331.0	263.6	+5.6	+32.7
Cereals	327.4	303.6	242.2	+7.8	+35.2
Pulses	449.9	454.5	359.7	—1.0	+25.1
Fruits & vegetables	305.5	304.3	225.4	+0.4	+35.5
Milk & milk products	306.2	307.3	244.5	—0.4	+25.2
Edible oils	383.0	379.9	287.0	+0.8	+33.4
Fish, eggs & meat	477.1	477.3	298.3	Nil	+59.9
Sugar & allied products	269.8	270.3	271.7	—0.2	—0.7
Others	219.2	237.8	178.2	—7.8	+23.0
Liquor & Tobacco	269.2	272.7	244.9	—1.3	+9.9
Liquor	185.4	180.7	176.0	+2.6	+5.4
Tobacco	273.1	276.9	248.1	—1.4	+10.1
Fuel, Power, Light & Lubricants	287.2	287.6	187.6	—0.1	+53.1
Coal	190.4	190.4	188.4	Nil	+1.1
Coke	268.4	268.4	268.4	Nil	Nil
Mineral oils	384.1	384.9	184.3	—0.2	+108.4
Rectified spirit	306.9	306.9	272.6	—	+12.6
Castor oil	397.5	398.9	397.0	—0.4	+0.1
Electricity	162.1	162.1	161.7	Nil	+0.2
Industrial Raw Materials	324.2	323.2	246.8	+0.3	+31.4
Fibres	259.7	255.2	194.7	+1.8	+33.4
Oilseeds	401.8	401.6	299.0	Nil	+34.4
Minerals	145.0	145.0	133.3	Nil	+8.7
Others	291.4	294.5	238.9	—1.1	+22.0
Chemicals	271.6	262.0	208.4	+3.7	+30.3
Machinery & Transport Equipment	217.9	213.7	172.6	+2.0	+26.2
Electrical machinery	197.0	196.2	175.3	+0.4	+12.4
Non-electrical machinery	252.3	246.1	183.7	+2.5	+37.3
Transport equipment	171.2	170.6	150.0	+0.4	+14.1
Manufactures	241.7	233.4	186.2	+3.6	+29.8
Intermediate Products	317.0	311.3	232.6	+1.8	+36.3
Textile yarn	233.2	232.3	206.3	+0.4	+13.0
Leather	264.4	253.9	251.1	+4.1	+ 5.3
Metals	404.2	391.2	253.9	+3.3	+59.2
Linseed oil	435.4	463.5	257.7	—6.1	+69.0
Finished Products	223.5	214.4	174.9	+4.2	+27.7
Textiles	228.9	215.4	176.2	+6.3	+29.9
Metal products	256.5	256.3	204.3	+0.1	+25.6
Non-metallic products	215.5	205.1	161.8	+5.1	+32.2
Chemical products	200.9	195.1	159.1	+3.0	+26.3
Leather products (shoes)	123.8	122.1	100.1	+1.4	+23.7
Rubber products	166.7	165.6	159.8	+0.7	+ 4.3
Paper products	190.5	170.9	139.6	+11.5	+36.5
Oilcakes	355.7	365.4	286.4	—2.7	+24.2
Misc. products	167.9	145.0	124.6	+15.8	+34.8
All Commodities	288.1	283.2	222.9	+ 1.7	+29.3

Source : Office of the Economic Adviser to the Govt. of India, Ministry of Industrial Development.

The prices of gur and khandsari, however, moved up. A fall in the prices of spices & condiments and coffee brought down the sub-group index for 'other food articles' by 7.8 per cent to 219.2. The prices of betelnuts and salt, however, went up.

Liquor & tobacco

The sub-group index for 'liquor' advanced by 2.6 per cent to 185.4. The index for 'tobacco' sub-group declined by 1.4 per cent to 273.1 due to a fall in prices of tobacco raw. The prices of tobacco manufactures stood stationry at its earlier month's level of 323.0.

Fuel, power, light & lubricants

The sub-group indices for coal and coke remained unchanged at their previous month's levels of 190.4 and 268.4 respectively. 'Mineral oil' recorded a slight fall of 0.2 per cent to 384.1 owing to lower prices of lubricating oil. The sub-group indices for 'rectified spirit'and 'electricity' stood unchanged at their previous month's level of 306.9 and 162.1 respectively. The sub-group index for 'castor oil' declined by 0.4 per cent to 397.5.

Industrial raw materials

Enhanced prices of cotton raw and silk raw raised the sub-group index for 'fibres' by 1.8 per cent to 259.7. However, the prices of jute raw & mesta, wool raw and coir fibre declined. A rise in the prices of groundnuts, gingellyseed, cottonseed and copra was almost neutralised by a fall in the prices. Linseed, castorseed and rapeseed resulted in the index for 'oilseeds' sub-groups rise to 401.8 as against 401.6 for the earlier month. Minerals remained unchanged at its earlier month's level of 145.0. A fall of 1.1 per cent to 291.4 in the subgroup index for 'other industrial raw materials' was brought about by a sharp fall in the prices of lac. The prices of hides raw, skins raw, tanning materials and logs and timber, however, moved up.

Chemicals

The index for the 'chemicals' group recorded a rise of 3.7 per cent to 271.6 owing to an increase in the prices of caustic soda, soda ash, sulphuric acid, nitric acid, calcium carbide, copper sulphate and carbon dioxide.

Machinery & transport equipment

The sub-group index for 'electrical machinery' rose by 0.4 per cent to 197.0. The sub-group index for 'non-electrical machinery' advanced by 2.5 per cent to 252.3 owing to a rise in the prices of machinery other than electric, textile stores and beltings.

The sub-group index 'transport equipment' moved up by 0.4 per cent to 171.2 due to higher prices of cycles.

Intermediate products

The sub-group index for 'textile yarn' rose by 0.4 per cent to 233.2 due to higher prices of cotton yarn. The prices of rayon yarn however, declined. The sub-group index for 'leather' rose by 4.1 per cent to 264.4. 'Metals' moved up by 3.3 per cent to 404.2 due to an increase in the prices of pig iron, zinc, brass sheets, copper sheets, tin and lead. The sub-group index for 'linseed oil' declined by 6.1 per cent to 435.4. On the whole the index for 'intermediate products' rose by 1.8 per cent to 317.0.

Finished products

The sub-group index for 'textiles' moved up by 6.3 per cent to 228.9 owing to higher prices of cotton manufactures, jute manufactures, silk and rayon manufactures and woollen manufactures. The index for coir mats and matting remained unchanged at its previous month's level.

The sub-group index 'metal products' stood 256.5 as against 256.3 for previous month. The s group index for 'non-meta products' went up by 5.1 215.5 due to an increase in prices of all the items un this sub-group. The sub-gro index for 'chemical produc rose by 3.0 per cent to 20 owing to higher prices paints and varnishes, dye material, toilet requisites a insecticides.

The sub-group indices f leather products (shoe rubber products, paper pr ducts and miscellaneous pr ducts also went up by 1 0.7, 11.5 and 15.8 per cent 123.8, 166.7, 190.5 and 167 respectively. The index f 'oilcakes' sub-group declin by 2.7 per cent to 355.7. O the whole the index for finishe product moved up by 4 per cent to 223.5.

Index Numbers of Security Prices—All India

(Base : 1970-71=10

Week ended	July 7	June 8	June 15	June 22	June 29	July
	1973	1974				
Government and Semi-Government Securities	98.8	97.8	97.8	97.8	97.8	97.
Government of India	98.4	97.1	97.1	97.1	97.0	97.
State governments	99.9	99.6	99.6	99.6	99.6	99.
Semi-government institutions	100.8	100.7	100.7	100.7	100.7	100.
Debentures	97.6	96.8	96.9	96.9	96.9	96.
Preference shares	93.7	93.4	93.3	93.3	93.1	93.
Ordinary shares	107.5	136.2	136.0	134.1	132.8	133.
Tea plantations	89.8	114.4	116.2	121.5	123.0	124.
Cotton textiles	107.5	162.8	161.4	158.4	157.2	158.
Jute textiles	103.3	172.8	173.5	171.4	169.9	169.
Silk, woollen and rayon textiles	126.5	158.6	156.6	153.4	151.8	152.
Iron & steel	52.9	71.0	71.6	70.6	68.1	64.
Aluminium	72.3	81.1	81.8	80.1	78.9	78.
Transport equipment	87.7	105.0	105.6	103.9	103.8	104.
Electrical machinery, apparatus, appliances, etc.	118.4	140.0	140.0	139.0	137.3	136.
Chemical fertilisers	162.5	198.6	197.5	192.4	189.5	191.
Other basic industrial chemicals	115.9	134.9	133.6	131.7	129.7	130.
Cement	94.1	109.8	111.3	110.9	111.3	111.
Paper and paper products	118.1	198.7	202.9	198.0	195.3	196.
Rubber and rubber products	105.4	138.3	137.2	134.5	132.3	131.
Electricity generation and supply	78.2	84.5	84.6	84.8	84.7	84.
Shipping	133.8	161.3	163.4	164.1	166.5	169.

Source : Reserve Bank of India

Reserve Bank of India

(Rs lakhs)

	July 5, 1974	A week ago	A month ago	A year ago
Issue Department				
Notes held in banking department	25,49	37,19	10,51	30,53
Notes in circulation	6,484,28	6,472,71	6,561,04	5,728,66
Total notes issued	6,509,77	6,509,90	6,571,55	5,759,19
Gold coin and bullion	182,53	182,53	182,53	182,53
Foreign securities	166 74	166,74	166,74	177,37
Rupee coin	7,38	7,51	4,03	7,58
Government of India rupee securities	6,153,12	6 153,12	6,218,26	5,391,72
Banking Department				
Deposits of central government	89,51	60,69	75,45	51.01
Deposits of state governments	15,23	25,83	9,06	7,49
Deposits of banks	532,69	586,68	589,99	527.38
Other deposits	529,10	366,86	361,04	205,17
Other liabilities	1,393,04	1,559,24	1,484,33	1,047,17
Total liabilities or assets	2,559,58	2,559,30	2,520,89	1,838,22
Notes and coins	25,57	37,25	10,59	30,60
Balances held abroad	548,92	596,07	589,05	271,40
Loans and Advances to :				
State governments	187,63	245·70	215,02	176,00
Scheduled commercial banks	395,65	420,86	414,00	39,64
State cooperative banks	228,66	235,78	237,31	238,82
Other loans and advances	269,34	270,87	222,94	170,30
Bills Purchased and Discounted				
Internal	269,12	274,15	270,10	17,88
Government treasury bills	114,31	128,68	145,97	216,29
Investments	360,72	228,60	249,83	601,71
Other assets	159,65	161,35	166,09	75,56

Scheduled Commercial Banks

(Rs lakhs)

	July 5, 1974	A week ago	A month ago	A year ago
1. Demand deposits	4,577,05	4,532.37	4,495,46	3,915,30
2. Time deposits	6,109,89	6,102,74	6,014.90	5,244,92
3. Aggregate deposits	10,686,94	10,635,11	10,510.36	9,160,22
4. Borrowings from Reserve Bank	395,65	420,86	414,00	39,64
5. Cash	319,53	274,52	274,20	257,13
6. Balance with Reserve Bank	508,88	558,93	573,66	508,67
7. Cash and balance with Reserve Bank	828.41	833.45	847,86	765,80
8. Investment in government securities	2,460,61	2,429,72	2,420,60	2,209,13
9. Advances	6,226,57	6,178,65	6,185,70	5,174,14
10. Inland bills purchased and discounted	1,194,26	1,169,72	1,133,03	954,77
11. Foreign bills purchased and discounted	377,15	384,79	397,26	249,28
12. Total bank credit percentage of :	7,797,98	7,733,16	7,715,99	6,378,39
(7) to (3)	7.75	7.84	8.07	8.36
(8) to (3)	23.02	22.85	23.03	24.12
(12) to (3)	72.97	72.71	73.41	69.63

Source : Reserve Bank of India.

Money Supply with the Public

(Rs crores)

Week ended	1973	1974				
	June 29	May 31	June 7	June 14	June 21	June 28
A. **Money Supply with the Public**	9,962	11,270	11,384	11.453	11,380	11,376
Currency with the public	5,829	6,622	6,725	6,783	6,708	6,645
Other deposits with the Reserve Bank	41	47	35	45	38	48
Bank money	4,092	4,601	4,624	4,625	4,634	4,683
B. **Factors Affecting Money Supply** (1+2+3+4—5)						
1. Net bank credit to government sector (a+b)	8,416	9,052	9,154	9,158	9,134	9,091
(*a*) Reserve Bank's credit to govt. sector	6,149	6,541	6,641	6,635	6.613	6,570
(*b*) Other banks' credit to govt. sector	2,268	2,511	2,513	2.523	2,521	2.521
2. Bank credit to commercial sector (a+b)	7,878	9,552	9,530	9,553	9,573	9,675
(*a*) Reserve Bank's credit to commercial sector	290	517	601	614	615	652
(*b*) Other bank's credit to commercial sector	7.588	8,955	8,929	8,939	8,958	9,023
3. Net foreign exchange assets of banking sector	595	684	671	676	671	678
4. Government's net currency liabilities to the public	482	482	484	484	483	493
5. Non-monetary liabilities of banking sector (a+b+c)	7,409	8,500	8,455	8,418	8,481	8,561
(*a*) Time deposits with banks	5,491	6,285	6,316	6,333	6,357	6,444
(*b*) Net non-monetary liabilities of R.B.I.	1,143	1,382	1,394	1,387	1,410	1,473
(*c*) Residual	775	833	745	698	714	644
C. Aggregate Monetary Resource [A+B5(a)]	15,453	17.555	17,700	17,786	17,737	17,820

Source : Reserve Bank of India.

Consumer Price Index Numbers for Industrial Workers

Centre	1965-66	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1973				1974		
									Mar.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
						(Base : 1949=100)									
All-India	169	213	212	215	226	233	251	304	263	309	315	316	321	325	334
						(Base : 1960=100)									
All-India	—	—	174	177	186	192	207	250	216	254	259	260	264	267	275
Ahmedabad	130	168	165	169	176	181	198	245	219	257	257	262	264	260	264
Alwaye	145	183	198	197	198	202	215	267	219	273	275	246	265	273	288
Asansol	140	168	176	187	189	194	206	..	212	255	256	254	258	263	..
Bangalore	144	172	180	183	186	194	212	265	228	275	273	274	280	284	286
Bhavnagar	132	173	176	178	186	194	217	273	244	277	285	289	293	289	285
Bombay	130	162	167	175	182	190	203	233	212	228	237	238	241	243	249
Calcutta	131	163	170	172	182	187	197	228	200	240	236	238	240	241	255
Coimbatore	132	151	147	154	163	177	189	218	197	214	223	226	232	236	246
Delhi	136	172	178	185	199	211	222	265	231	272	274	271	278	280	296
Digboi	138	198	185	180	189	188	198	234	207	230	242	252	249	255	256
Gwalior	139	191	179	184	191	197	214	271	230	272	275	280	290	299	312
Howrah	137	178	181	176	186	191	206	239	211	249	251	252	256	255	270
Hyderabad	140	167	173	185	189	195	211	251	224	249	249	257	257	263	271
Jamshedpur	136	183	171	190	183	187	202	249	209	254	254	259	268	275	278
Madras	134	151	150	160	170	182	203	229	212	226	231	233	238	241	248
Madurai	128	146	148	162	183	193	206	236	209	237	247	248	254	251	257
Monghyr	151	215	185	188	203	204	225	—	232	298	305	308	321	343	—
Mundkayam	138	173	186	191	197	199	210	263	211	266	274	265	271	272	286
Nagpur	138	164	166	176	187	192	203	256	207	260	279	278	275	275	277
Saharanpur	141	188	176	181	186	196	213	—	222	256	263	264	276	280	290
Sholapur	128	165	167	176	185	198	216	277	240	279	283	298	293	282	279

Source : Labour Bureau Govt. of India

Consumer Price Index Numbers for Urban Non-Manual Employees

(Base : 1960=100)

Centre	1965-66	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973	1973						1974
									Jan.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
All-India	132	159	161	167	174	180	192	195	218	219	223	226	228	231	
Bombay	132	153	156	162	168	172	183	184	202	200	202	205	206	206	
Delhi-New Delhi	131	154	162	168	174	180	190	190	215	217	219	223	226	229	
Calcutta	126	152	156	162	170	174	180	180	199	202	210	211	213	214	
Madras	133	154	154	161	175	188	204	210	228	226	229	235	238	240	
Hyderabad-Secunderabad	133	155	159	167	174	180	195	202	222	221	223	228	229	229	
Bangalore	133	156	160	164	172	180	194	198	223	232	233	235	235	237	
Lucknow	132	159	156	161	166	174	185	186	215	214	220	221	220	226	
Ahmedabad	131	160	162	168	171	173	188	194	215	220	224	225	228	231	
Jaipur	133	162	168	176	183	188	205	280	246	244	252	253	255	256	
Patna	139	170	174	180	191	190	199	199	224	224	229	230	238	248	
Srinagar	134	160	157	174	184	191	191	203	213	211	215	219	222	223	
Trivandrum	131	165	168	172	178	183	198	205	230	228	230	241	243	245	
Cuttack-Bhubaneswar	142	164	167	169	176	184	196	196	216	218	228	231	231	232	
Bhopal	133	166	166	172	180	188	204	208	237	242	243	244	243	248	
Chandigarh	129	155	165	171	178	183	194	193	217	219	221	221	222	224	
Shillong	123	155	163	164	166	175	183	183	208	205	208	214	218	220	

Source : CSO

ew tax propo-
als : Finance
inister's
peech

IE FINANCE minister, Mr B. Chavan, announced in Lok Sabha on July 31, a of tax proposals for raising additional revenue of Rs 6 crores during the rest of current financial year. The eld from these new levies is timated to be Rs 232 crores a full year. The highlight these proposals was a tax the interest income of com-ercial banks. He also propo-d a number of central excise vies. Excerpts from the finan-ministers statement follow:

The presentation of a cond Finance Bill only five onths after I presented the gular annual budget for 974-75 has not been an easy ecision for the government. is an event of unusual gnificance and derives its stification from the fact that e are faced with a difficult conomic situation. I am, owever, convinced that not act in the present situation ould amount to fiscal irres-onsibility, with serious con-equences for the economic ealth of the country. Thus ne decision to come forward ith a second Finance Bill is ot only an indication of the eriousness of the economic tuation, but also a measure f the government's deter-ination to grapple with it ffectively.

It is self-evident that con-olling inflation is today the ngle most important task cing the country. The mea-ures adopted so far by the overnment to curb inflation ave had a limited impact and ne upward pressure on prices as persisted. There is a eneral expectation of conti-ued price increases, which self has constituted in infla-onary factor.

The thrust of the Central Budget for 1974-75 was to restrain the growth of government expenditure, mobilise additional resources on a substantial scale, and to reduce reliance on deficit financing. This was part of the overall anti-inflationary strategy. However, judging by price trends in the last four or five months, there has been no visible reduction in the strength of inflationary forces operating in the economy. Over the three months April to June, 1974, the rise in the general price level was of the order of 7.8 per cent, yielding an average monthly increase of about 2.6 per cent, as compared to an average monthly increase of 2.7 per cent during the three months January to March, 1974. This continuing deterioration on the price front has been a source of the greatest concern to government.

I do not wish to dwell at length on the causes for the persistence of inflationary pressures. I have talked about these often enough in this House. I would venture to say that these are basically rooted in the sluggishness of agricultural production. The recent wheat crop has not been up to original expectations. As a result, the tendency on the part of producers to hold back supplies seems to have strengthened. Despite a very sizable increase in procurement prices, procurement so far has fallen short of expectations. The production of oilseeds in the rabi season has also been inadequate, and this has strengthened bullish sentiment in the markets in regard to vegetable oilseeds and oils. Industrial production which remained virtually stagnant in 1973 continues to be inhibited by shortages of power.

All these factors point to the persistence of a sizable imbalance between aggregate demand and supply. As a result, government have considered it necessary to come forward with a fresh package of measures designed to reduce the imbalance. The basic objective of the three recent ordinances, involving temporarily restrictions on declaration of dividends, immobilisation of 50 per cent of additional dearness allowances and of increase in wages and salaries, and compulsory deposits by income tax payers in higher income groups, is to reduce the pressure of demand and decelerate the rate of growth of money supply. In any appraisal of these measures, we must not lose sight of the narrow options open to the government. In the present situation, the only other feasible course of action would be a drastic cut in all developmental expenditure. This would entail severe effect on the future growth of the economy.

A large expansion in bank credit in recent months has led the Reserve Bank to tighten further its credit controls. Instructions have been issued to each commercial bank to scrutinise the top 50 accounts in order to ensure that bank credit is not used for excessive accumulation of inventories or diverted for non-productive purposes. More recently, an increase of two per cent in the Bank rate, accompanied by an increase in both the minimum lending rate and in deposit rates of commercial banks, announced on July 22, 1974, will help to reduce further the incentive to accumulate inventories with the help of bank credit; it will also facilitate mobilisation of deposits.

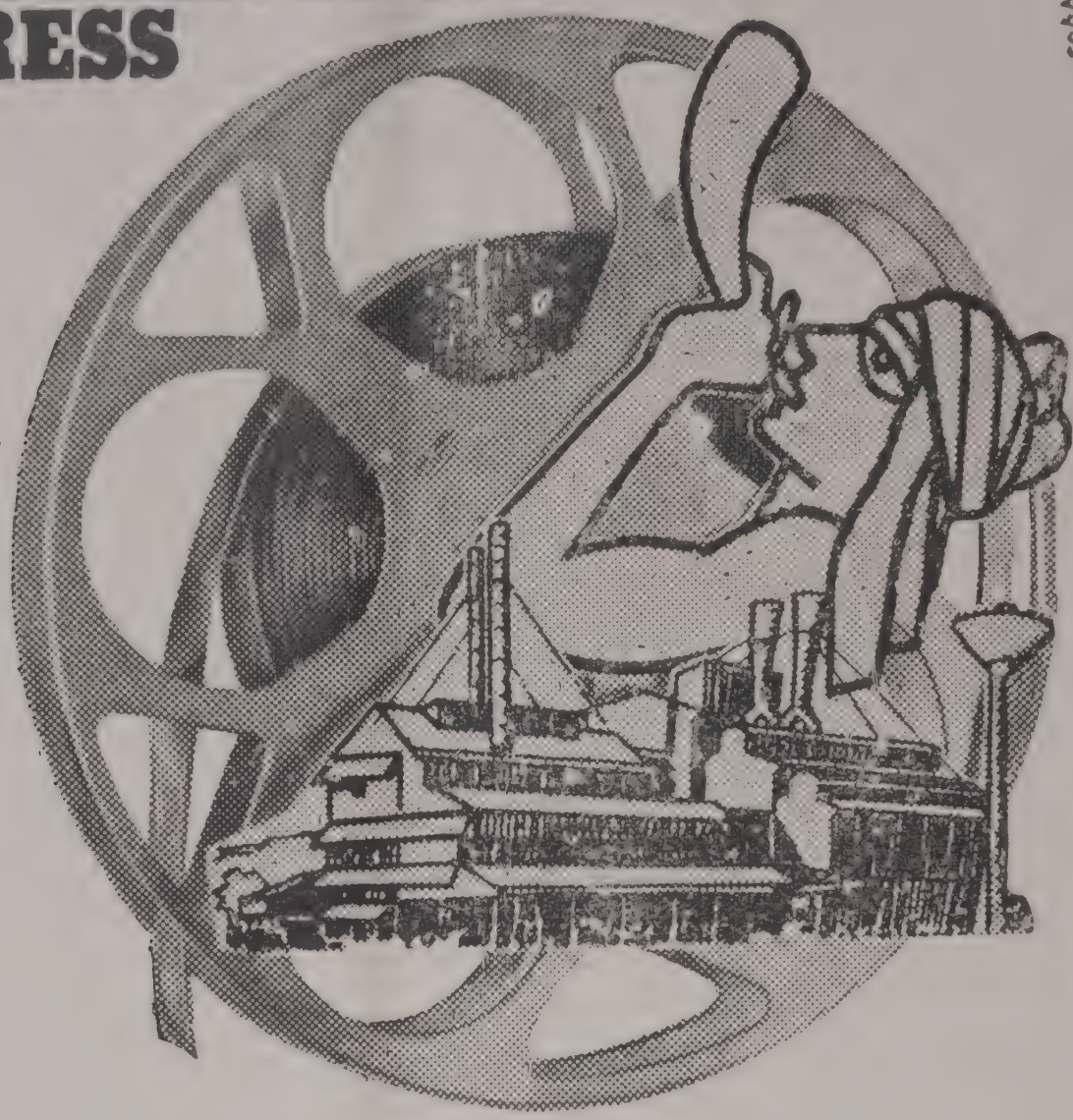
The measures that we have recently adopted are steps in the right direction. Let me be clear: by themselves they cannot stabilise prices. Fundamentally, the imbalances that now exist in our economy can be removed only through a sustained increase in agricultural production, though this is not going to be an easy task because of inadequate indigenous production of fertilizer and steep increases in their import prices. We are purchasing as much fertilizer abroad as we can inspite of the formidable nature of the import bill which is likely to be over Rs 450 crores. The ample provision that we have made for the core sector in the annual plan for 1974-75 should also enable us to secure a significant increase in the production of coal and steel. Improvements in the production and transport of coal are already visible. Mainly because of power shortages and transport difficulties, the overall outlook for industrial production is however uncretain.

Fortunately, our foreign exchange reserves have held up fairly well. This is due mainly to borrowings from the International Monetary Fund, continuity of external assistance, and particularly to a rapid growth in our export earnings during 1973-74. As a result we have been able to finance sizable imports of foodgrains though at very considerable cost. The export outlook for 1974-75 is however not equally encouraging. The prices of some of our export products have declined in recent months. In addition, the high current rate of inflation constitutes a serious threat to the maintenance of the competitiveness of our exports, which may threaten the viability of our balance of payments. This only underlines the pressing need to control our rate of inflation.

Against this background, the need for further measures to reduce the pressure of demand in our economy is self-evident. In the present inflationary environment, it is essential to contain the size of the budgetary deficit. This we are determined to do. However a number of factors have upset our original calculations and are threatening to push up the central government's budgetary deficit well beyond the original budgetted figure of Rs 126 crores. Let me mention some of these.

As the House is aware, government have recently increased the issue prices of wheat in order to scale down the burden of the food subsidy. Currently, there is only a small element of subsidy in the procurement of indigenous wheat and coarse grains. However, on account of unsatisfactory production and inadequate procurement of wheat during the last rabi season, the government is having to import, as I mentioned earlier, sizable quantities of foodgrains in order to maintain the public distribution system. As imported wheat costs much more

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han indigenous wheat but has be sold at the same price, he burden of the food subsidy ill be much higher than the riginal provision of Rs 100 rores.

The weak financial position f the railways is well known o the Honourable Members. ecause of the higher burden of ay and allowances of the staff nd the disruption of traffic aused by the recent railway rike, the deficit in the railway udget will increase substantially beyond the original rovision of Rs 52 crores.

Additionally, we must eckon with the fact that by eason of the continuing increase in prices, the budgetary rovision for additional earness allowance will have o be substantially increased. here is also likely to be some ncrease in expenditure on efence because of rising costs nd further improvements in he emoluments of defence ersonnel.

On the Plan side, the coninued increase in prices has ed to an escalation of project osts accompanied by a further rosion in the internal resources of some of our public sector enterprises.

Taking both Plan and non-Plan outlays together, it seems clear for reasons I have just mentioned that unless a number of remedial steps are taken, the gap between aggregate expenditure and the total resources in sight in the current year will be very much larger than the deficit of Rs 126 crores which was estimated when presenting this year's budget.

I should like to say, however, that the potential deficit can by no means be covered by fresh taxation only, and that there is clearly need to take other complementary steps to reduce the deficit.

Direct Taxes

I shall now explain my tax proposals, dealing first with proposals in the field of direct taxes. As a part of the anti-inflationary package, I propose to levy a tax on the gross amount of interest received by scheduled banks on loans and advances made in India. The banks would be expected to adjust their functioning to this tax and reimburse themselves to the extent necessary by making appropriate adjustments in interest rates charged from borrowers. The proposed tax will have both a monetary and a fiscal impact in that it will serve the purpose both of raising the cost of borrowed funds and of supplementing government revenues. The proposed tax will be levied at the rate of seven per cent of the gross amount of interest earned by the banks. This would imply on an average an increase of about one per cent in the cost of borrowings from the banks. Interest on government securities, as also debentures and other securities issued by local authorities, companies, and statutory corporations will not be included in the tax base. Interest received on transactions between scheduled banks will likewise be exempted from the proposed levy. Interest accruing to scheduled banks before August 1, 1974 will be outside the ambit of the proposed measure. The proposed tax will be allowed as a deduction in computing taxable income under the Income-tax Act. I propose to introduce a separate bill shortly to give effect to the proposal. The yield from this measure will be of the order of Rs 60 crores in a full year. For the remaining part of the current year, however, the revenue will be about Rs 25 crores.

In view of large unearned incomes accruing as a results of the inflationary situation, I propose to increase the tax on capital gains. The deduction from long-term capital gains allowed in computing the taxable income of non-corporate taxpayers is being reduced from 35 per cent to 25 per cent where such gains relate to lands and buildings. In respect of gains arising from transfer of other assets, the deduction is being reduced from 50 per cent to 40 per cent.

The incidence of tax on long-term capital gains is also being increased in the case of companies. This increrease is being brought about by raising the rate of tax from 45 per cent to 55 per cent in respect of gains relating to lands and buildings. A lower rate of 47 per cent will be applied in the case of widely held companies whose taxable income, including long-term capital gains, does not exceed Rs 1 lakh. The rate of tax applicable on capital gains arising from the transfer of other assets is being raised from 35 per cent to 45 per cent in the case of all companies. These alterations in the provisions relating to the capital gains tax will yield about Rs 5 crores in a full year.

Indirect Taxes

I now come to my proposals relating to indirect taxes. In order to raise the needed resources, I have no option but to increase Central Excise duties selectively. In doing so it has been my endeavour to keep to the minimum the impact on the poorer sections of the community. I have also tried to raise duties on those items where the middleman is today retaining a large margin, to the detriment of both the consume and the primary producer. These duties will help to mop up unintended gains accruing to the trade.

At present copper and copper alloys in crude form, and wire bars, wire rods, etc., carry a basic excise duty of Rs 1,500.00 per matric tonne. Specified manufactures of these carry a rate of Rs 2000.00 per metric tonne, while pipes and tubes are assessable at 10 per cent *ad valorem*. The international prices of copper have been soaring. Even now the the bulk of our requirements have to be imported. The indigenous producers of copper have also been selling their products at prices on par with the prices of imported goods, and thus enjoy a substantial benefit as their own cost of production is lower. To siphon off a part of this fortuitous profit, I propose to increase the basic excise duty on copper in crude from and on wire bars, wire rods, etc., to Rs 40000.00 per metric tonne: on specified manufactures of these to Rs 4500.00 per metric tonne and on pipes and tubes to 20 per cent *ad valorem*. The existing provisions for collection of duty at the rate of Rs 500.00 per metric tonne on plates, sheets, circles, strips and foils made out of duty paid metal, or metal made out of specified types of scrap will continue. A lower rate has also been fixed for sheets and circles cleared in untrimmed condition. The The provisions for set off of duty paid on copper in crude form if used for the manufacture of copper pipes and tubes will also continue. Through these proposals, I expect to secure additional revenue to the extent of Rs 8.40 crores, inclusive of the consequential accrual of increased auxiliary duty, which is determined as a percentage of the effective basic duty.

On similar considerations, I propose to increase the basic duty on unwrought zinc from Rs 500.00 to Rs 1500.00 per metric tonne; on specified manufactures of this from Rs 800.00 to Rs 1800.00 per metric tonne, and on pipes and tubes 10 per cent to 20 per cent *ad valorem*. Zinc plates, sheets circles, strips and foils made out of duty-paid unwrought zinc, or specified types of scrap or their combination, will continue to pay duty at Rs 300.00 per tonne. The additional revenue accrual from this will be Rs 5.07 crores, inclusive of the auxiliary duty component. Imports of copper and zinc will not, however, be liable to any additional countervailing duty as a result of the increases now proposed on the basic excise duties.

With the rise in prices of rayon and synthetic fibres and yarn, the incidence of duty based on specific rates, has gone down. I, therefore, propose to step up suitably the specific rates in respect of nylon filament yarn and staple fibre and filament yarn of cellulosic origin. This will provide an additional revenue of Rs 11.38 crores. The concessional rate available to nylon yarn for use in the manufacture of fishing nets and parachute cords will, however, continue. I am also not bringing acetate yarn within the purview of these increases.

With the objective of reducing the gap in the incidence of the duty at yarn stage on fabrics manufactured by the composite mills and the powerloom units, I propose to raise the specific rates of duty on cotton yarn normally going into the manufacture of superfine, fine and medium-A fabrics manufactured by power-

looms. The increased rates will also apply to yarn of corresponding counts used in the manufacture of hosiery, sewing thread etc. Hank yarn in straight reels used by handlooms will remain unaffected. These changes will thus provide some stimulus to the handloom industry. These increases will yield an additional revenue of Rs 9.70 crores. Honourable Members will be happy to know that yarn of lower count groups normally used in the manufacture of medium-B and coarse fabrics is being left untouched.

Due to production constraints, shortages have developed in the availability of tyres, and on certain categories high premia are being charged by the middleman. As a mopping-up measure, and to raise revenue, I propose to step up by five per cent the *ad valorem* dutyon tyres, other than those meant for scooters, motor cycles and mopeds, which will continue to carry the present concessional rate. This will yield an additional revenue of Rs 8.8 crores. Tyres and tubes for cycles, and tyres specially designed for use in animal-drawn vehicles will, however, continue to be wholly exempt.

Honourable Members are aware of the general scarcity of cement, and the windfall gains being reaped by the dealers. To absorb at least a part of these gains, and to raise additional revenue, I propose to increase the basic duty on cement from 25 per cent to 30 per cent *ad valorem*. Inclusive of the consequential increase in accruals from the auxiliary duty, this proposal will add Rs 29.37 crores to the revenues.

The present tariff rate of basic excise duty on cigarettes is 200 per cent *ad valorem*. By a notification, basic duty has been prescribed at 75 per cent *ad valorem*, if the value of the cigarettes does not exceeds Rs 10.00 per thousand. In respect of cigarettes having a value higher than Rs 10.00 per thousand, this duty is increased by three per cent *ad valorem* for every additional rupee or part thereof in excess of Rs 10.00 per thousand. As a revenue measure, I propose to raise the rate of basic duty at the base point (i.e. cigarettes of which the value does not exceed Rs 10.00 per thousand) from 75 per cent *ad valorem* to 85 per cent *ad valorem*. The incremental rate of three per cent *ad valorem* for every additional rupee or part thereof in excess of the value of Rs 10.00 per thousand will, however, continue.

As the ceiling of 200 per cent *ad valorem* restricts the duty on the more expensive brands, I also propose to raise this to 250 per cent *ad valorem*. I would hope those fortunate enough to afford the more costly brands will feel more virtuous in the knowledge that they will now be contributing in larger measure to the exchequer. The additional revenue from my proposals relating to cigarettes will amount to Rs 16.45 crores, inclusive of the increased accrual by way of auxiliary duty.

I also propose to raise the basic duties in respect of pig iron, latex foam sponge, asbestos cement products and electric lighting bulbs and flourescent lighting tubes. These will together yield an additional revenue of Rs 8.14 crores.

As a measure for raising additional revenue exclusively for the centre, I propose to step up the rates of auxiliary duty on steel ingots, and iron or steel products, from 75 per cent to 100 per cent of the effective basic duty, and that on skelp, tin plates and tinned sheets from 50 per cent to 70 per cent of the effective basic duty. Rails and sleeper bars used for railway track will not, however, attract the increase. These proposals, while bringing the indigenous prices more in tune with the imported prices of comparable products, will also help to raise an additional revenue of Rs 26.85 crores. These revised auxiliary duties will as hitherto apply only to indigenous production, and not result in higher countervailing duty on imports.

On certain varieties of cotton fabrics like suiting, gaberdine, furnishings, blended, embroidered, and impregnated or coated fabrics, I propose for the first time an effective levy of an auxiliary duty of excise at the rate of 33⅓ per cent of the effective basic duty: this will yield an additional revenue of Rs 6.0 crores.

The specific rates of duties on various categories of paper and paper board were reviewed and stepped up as a part of my budget proposals presented in February, 1974. Since then the steep increases in the prices of most varieties of paper and board effected by the industry have brought down considerably, in percentage terms, the *ad valorem* incidence of the existing specific duties. I am, therefore, constrained to step up the duty on various categories of paper and paper board for the second time this year. I accordingly propose to levy an auxiliary duty at the rate of 330 per cent of the effective basic duty on all varieties of paper and paper board. Commoner varieties of printing and writing paper, not exceeding 65 grammes per square metre, used for exercise books, text books etc. and assessed at present at a concessional rate of 15 paise per kilogram are being specifically exempted from the proposed auxiliary duty. Newsprint and hand-made paper and board will also not be affected. This measure will result in an additional revenue of Rs 13.20 crores.

In an effort to narrow the gap between the indigenous and imported prices of plastics, I propose to increase the auxiliary duty of excise from 20 per cent to 40 per cent of the effective basic duty, and thus raise an additional revenue of Rs 9 crores. However, plastics when imported will as hitherto continue to be exempt from the countervailing duty, equal to the auxiliary duty of excise.

I also propose to increase the auxiliary duty on paints and varnishes from 33⅓ per cent to 50 per cent of the effective basic excise duty, which will bring an additional revenue of Rs 1.80 crores.

Till recently DMT and caprolactam were being imorted at high international prices. The indigenous production of DMT has since started while the caprolactam unit is expected to go into production shortly. Having regard to the prices at which these products were imported and as a revenue measure, I propose to levy a duty for the first time at the rate of 50 per cent *ad valorem* on caprolactam and 25 per cent *ad valorem* on DMT. This is expected to yield a revenue of Rs 12.40 crores. The proposed levies will not result in countervailing duties on the imported caprolactam and DMT.

The proposals relating to excise duties will lead to a gain in revenue of about Rs 166 crores in a full year, of which about Rs 20 crores will accrue to the states and Rs 146 crores to the centre.

Customs Duties

The inflationary trends in international prices to which I had referred in my budget speech in February, 1974 continue. In these circumstances, I have decided to leave unchanged customs duties proper, though additional revenue to the extent of Rs 1 crore is expected from countervailing duties consequent on the changes proposed in central exise duties.

Taking Customs and Central Excise duties together and exclusive of states' share the additional revenue accruing to the centre will be of the order of Rs 147 crores in a full year or Rs 98 crores approximately for the rest of the current financial year.

The various tax proposals that I have outlined will yield a revenue of approximately Rs 210 crores in a full year and Rs 123 crores in 1974-75 for the centre. The states will also receive Rs 22 crores approximately in a full year and Rs 13 crores approximately during the current year, as a result of those proposals.

As I stated earlier, the presentation of a Second Finance Bill is not an ordinary event. The economic compulsions of the current situation do not leave us with any really viable alternatives. It is in this perspective I would wish the House to view and to judge these proposals.

Mrs Gandhi must deliver

ALTHOUGH PARLIAMENT, the press and the public have been critical of the various anti-inflationary measures so far adopted by the government for dealing with the current economic crisis, they have t been unduly so. This is less out of admiration or respect for the prime minister's rformance to date in masterminding the economy than because of the people's awareess of the complex nature of the problems — some of them of New Delhi's own making which she now has to deal with. Even her worst critics cannot but concede that it impossible either to arrest rising prices or revive economic growth through any single rmula. It is true that there are some among us who do seem to believe that monetry surgery, if sufficiently drastic, could put the country on the road to economic revery even if it cannot effect a complete cure overnight. But they have failed to carry nviction and the only positive effect of their crusade may have been to drive home to e government the fact that it is necessary to take steps to decelerate the further growth money supply.

This however is only part of the present state of the debate on the nation's econoic crisis. The other and more important part, surely. is the wisdom rapidly dawng on various levels of society that increased production immediately and increased inestment for more production in the long run are the really valid means available to us a nation to survive our current economic difficulties and resume our development fort. The Finance minister, fortunately, has shown that he understands this. In s statement of July 31 he said that to slash development outlays merely in order to reuce the level of public expenditure would be self-defeating and indeed suicidal. This f course is a simple enough truth. The various anti-inflationary measures so far taken re potentially capable of aggravating economic stagnation, while increasing unemployent or at least preventing the expansion of employment opportunities. They are also ven more liable to discourage production and to a great extent investment. If on top f this the government were to cut down truly developmental outlays indiscriminately, is not the inflationary pressures that will be curbed but simply investment, production nd employment. It cannot therefore be too strongly emphasized that a reasonably igh level of public investment is a basic condition of a fair level of productive economic ctivity even in the private sector of the economy.

It would not be enough, however, if, by maintaining a reasonable level of developent outlay, the government were to ensure merely that demand is not unduly suppressed in the name of an anti-inflationary crusade. Simultaneously steps will have to e taken to step up the production of the relevant goods and services both in the public ector and in the private enterprise industries. Otherwise, shortages will not ease nor rices stop from rising. In a rare moment of enlightenment the minister for Planning, Mr D.P. Dhar, has just confessed that only a fool would try to estimate in the present ircumstances what the fifth Plan may cost. It may perhaps be inferred from this that Mr Dhar for one does not want to play the fool. This is good so far as it goes, but it s not good enough. A minister holding the position he does in the government ought o be a little more aspiring, which means that Mr Dhar must make up his mind to learn o become positively wise in addtion to deciding not to be foolish. To put it differently, ince Mr Dhar is right in his implied admission that the fifth Plan has come unstuck, as it not become necessary that the resultant debris of paper work should be wept under the carpet so that something more practical and useful could take ts place?

The Planning minister, surely, cannot have missed noticing that there is in our country at the present time a ground swell of opinion in favour of government fram-

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ing and implementing a series of specific programmes for stepping up production and investment in clearly identified areas of the greatest relevance and the highest priority. To start with, the management, or rather the mismanagement by the central and state governments of the power sector continues to be the gravest single bottleneck to production. The poor monsoon of last year served the central and state governments as an excuse for the severe decline in power generation and distribution in various states but, even this year, when the monsoon has generally been certainly much better, there has so far been no improvement in the power supply position. On the contrary, the cuts made by various state governments last year are being maintained more or less intact. In fact, in certain areas of the country, notably UP and West Bengal, the situation has, if anything, become worse.

All this suggests that something is basically wrong with the performance of the public sector in the generation and distribution of electricity and that nature is certainly not the major culprit in this case. It is, for instance, indeed most atrocious that state governments such as that of UP should continue to enforce a hundred per cent cut on essential or high priority industries or that the government of West Bengal should be so helpless in providing sufficient power for such an important export industry as jute manufactures. Surely one of the first things that the government should do in the present inflationary context is to see that there is a little more efficiency on the part of the state electricity boards and that power generation is considerably improved with the help of the existing plant and equipment, particularly in the thermal power stations. Again, it passes one's comprehension why the government continues to be asininely obstinate in its negative reaction to suggestions that, as an emergency measure, industrial undertakings in the private sector should be allowed to import generating equipment from abroad for captive power production.

Then there is transport. It is true that the railway strike has inflicted an avoidable traffic and financial loss but, surely, it should be possible for the railway system to make up for this by improved functioning once the strike had been broken. Industrial disputes are certainly not unknown in the private sector, but it has generally been found possible by the affected concerns to make up for losses due to go-slow, strikes and the like through stepping up productivity subsequently. For instance, Gwalior Rayon's pulp factory in Kerala was strike-bound for nearly 4½ months last year. In spite of this the company has been able to report substantially higher production and earnings in 1973 over 1972.

Crusaders, or rather apologists, for the public sector such as Mr Dhar had better explain why state enterprises cannot conduct themselves in similar fashion. Mr Chavan helplessly bemoans the fact that the loss of freight or fare earnings during the railway strike has imposed additional strains on the central government's ways and means. Has it not occurred to him to tell his colleague, the Railway minister, that there are after all twelve months in a year and that it should be possible for the mischief done in the course of a month to be undone over the other eleven? If only the railways could step up their productivity, they would not only be able to make good the deterioration in their earnings due to the strike before the current budget year is over, but they will also have helped greatly the revival or expansion of economic activity in the country. Coal movement, in particular, should benefit, and this in turn might help improve power generation among other things.

II

Commoditywise, it is clearly important that the fertilizer industry should be enabled by all means possible to achieve the most intensive utilization of installed capacity. Even as it is, some private sector fertilizer plants are able to achieve higher percentages of production than plants in the public sector and it is certainly scandalous that naphtha should be exported because fertilizer plants are unable to utilize the domestic production fully by stepping up their capacity utilization. This apart, there is absolutely no reason why there should be any further delay in giving a grand clearance signal to both the public and the private sectors to put up coal-based fertilizer plants. There are again a number of essential basic or consumer goods industries such as steel, aluminium, cement, paper, sugar, *vanaspati* and textiles, including man-made fibre, which have clearly recognizable production problems that can and must be dealt with in specific terms. While the Planning Commission presently has nothing very useful to do, it is nevertheless spending taxpayers' money by virtue of its mere existence. There is absolutely no reason why such suitable personnel as it may have at various levels should not be mobilized

Eastern Economist 30 Years Ago

August 11, 1944

Available price statistics of the Economic Adviser, with the exception of the new food index, are at least six months behind time. Thus in August 1944 we have detailed figures only of November 1943. But the latest report of the Central Board of Directors of the Reserve Bank gives some figures which show that, though a distinctly downward trend of prices is far from being discernible, there is at least a tendency to stabilization at levels lower than those which prevailed in the first six months of 1943. Even the Reserve Bank Report only claims that "the various price indices showed a tendency to decline." According to the Economic Adviser's index, food and tobacco, which had registered the most pronounced increase earlier having risen to the peak of 303 in June, 1943, declined to 294 in the next month and showed a further downward tendency, though at the end of the year it stood at 300. Among other agricultural commodities, raw cotton prices recorded a continuous decline and dropped from 261 in June 1943 to 187 in June 1944, a decline of 74 points or about 28 per cent; raw jute also declined during the year from 241 to 216, though in a much smaller degree. Under the group raw materials, the earlier upward trend was maintained and the index number rose from 175 in June 1943 to 189 in December and 204 in June 1944 mainly owing to the sustained wartime demand and consequent shortages, especially in some articles like coal.

n an *ad hoc* basis and asked to work with ie concerned central ministries or agen-ies of the state governments as also re-resentatives of the various essential in-ustries for sorting out particular bottle-ecks to production and figuring out ways nd means of widening those bottlenecks.

There is a useful suggestion that every ndustry of substantial public importance hould have a production-cum-investment riented programme suited to its needs and circumstances and that within the framework of its programme there should also be individual schemes for dealing with the requirements of particular under-takings or factories. For instance, the problem with one cement factory may be the availability of wagons, while the prob-lem with another may be the supply of furnace oil. No pompous generalization from New Delhi could help deal with such troubles on the spot. It is only down-to-earth micro planning that can save the country in such a situation. This means essentially the closest consultation, co-ordination and cooperation between the government agencies and the manage-ments, whether in the public sector or private industry. At present Yojana Bhavan has become just a dingy edifice of holed-up politicians, professors, bureau-crats and clerks. It should surely be made to give some useful account of it-self by engaging immediately in tasks of some meaning or relevance to the current economic problems of the country.

Finally there is the credit situation created by the government's anti-inflationary, hard money policy. This policy has certainly begun to bite, but the diffi-culty is that it seems to be biting at the wrong places. For instance, even New Delhi seems to have become rather ner-vous about the adverse effects which bank credit restrictions are having on export production or export trade. There was in fact some serious discussion last week in the ministry of Commerce about the risks and dangers of a blanket curtailment of bank credit. The commercial banks were directed recently to raise their interest rates on term deposits. The government's purpose, obviously, is that the mobiliza-tion of deposits should proceed apace. But, unless banks are also given reason-able scope to utilize their funds profitably, they will have little incentive to garner deposits by paying out more interest on them. There are already signs that the higher interest rates now obtainable are evoking good response from depositors. Once it becomes reasonable to anticipate a fair growth of deposits, it should cer-tainly be possible for the government to allow sufficient credit facilities for produc-tion and exports without prejudice to its anti-inflationary strategy. The people's savings cannot be impounded in bank re-gisters or government vaults beyond a point without sending the economy into a down-turn and thereby restricting pro-duction, investment and employment. The prime minister may quite possibly have conceived some grand design. If so, she must work to an urgent time-table and deliver the goods.

The hazards of crystal-gazing

FORECASTING TRENDS in this country's export of different commodities was always a hazardous game, more so in recent months because of the unresolved world monetary crisis and the global inflationary pressures, aggravated by the sudden spurt in oil prices. Even then, the Indian Institute of Foreign Trade (IIFT) took courage in both hands and projected past export behaviour of 127 commodities to arrive at the export targets for the fifth five-year Plan period.* Its exercise was based on statistical analysis coupled with subjective insight of its researchers. However, the IIFT study team complained that despite the elaborate methodology worked out for extrapolating past trends, its efforts had been hampered by the limited character of data which was available in relation to "production, imports, exports, marke-ting characteristics and strategies of buying and competing countries". Stated the researchers of the IIFT: "It would have been more scientific if requisite latest information and data were available about the world markets and suppliers in relation to individual commodities/ products".

Two observations needed to be made in regard to the grouse of the researchers of the IIFT for the insufficiency of data available for forecasting future trends. First, the IIFT itself had been engaged in the study of this country's foreign trade for more than a decade. During this period, the number of studies of trade trends—country-wise and commodity-wise—which it had covered was legion. Perhaps it would be impossible for an outsider to have an access to all of them. The IIFT team thus had been in a uni-quely privileged position in undertaking the study under review. If even this team had felt that it had stuck its neck out on the basis of scanty data, then there did not seem to be much justification for undertaking this study. Nowhere in the world could a reasearch team claim to have all the data that it needed for making projections about the future. Per-haps a decade later, another team of the IIFT undertaking a similar task would put forward the same plea that even 20

*Export Targets during Fifth Five-Year Plan by V. Vithal Babu, Deputy Director General and M. C. Gupta, Deputy Chief of the Indian Institute of Foreign Trade, New Delhi.

UP Budget : A Correction

On page 8 of the issue of *Eastern Economist* dated July 5, 1974, in the course of the article under the heading "Half-hearted Measures," it was stated that "the result of the taxation measures proposed by the UP Finance minister will be to reduce the deficit of Rs 72 crores (including the deficit brought forward from the previous year of Rs 28.41 crores) to Rs 45.11 crores." It has now been brought to our notice that the position actually is that the estimated deficit in the budget for 1974-75 as presented to the legislature is Rs 45.11 crores (including the previous year's deficit of Rs 28.41 crores) and that, after taking into account the anticipated net additional revenue of Rs 26.81 crores from the taxation measures, the above deficit of Rs 45.11 crores is expected to come down to Rs 18.30 crores. The error is regretted.

years' steady work of the IIFT had not thrown up sufficient information for making forecasts with a fair degree of confidence.

Second, even if the IIFT study team had all the data it wanted, its projections would hardly be more accurate than its present effort. It was perhaps humanly impossible to look into the future and forecast the shape of things to come *accurately*. For example, the IIFT had estimated that unit value realisations of tea exports would rise from Rs 7.62 per kg in 1972-73 to Rs 7.75 per kg in 1978-79. In fact, there had been a 100 per cent rise in tea prices during the past one year in view of falling stocks and fears of a drop in production. This was not the only case where the study had displayed poor judgement. There were many others. Thus, it was apparent that even if all the data which the IIFT study team needed were available, its forecasts could still be very much wide off the mark. Also, the projections made in regard to the export of more than 100 commodities with precision going up to the second decimal place was itself a demonstration of both pedantry and naivety.

A word about the methodology adopted for the study under reference. The export data for 1968-69 to 1972-73 was subjected to statistical analysis to determine the contribution of changes in quantities and prices of commodities. Similar statistical analysis was made for 1973-74 over 1972-73. This was indeed a logical procedure adopted for the study of past trends. In other words, objectivity in forecasting was limited to this extent. On this was superimposed what had been stated as "commercial judgement" both in regard to national and international factors.

Among the national factors, the study took into account the fuller utilisation of existing capacity for a selected number of engineering industries, expansion of capacity or creation of new capacities relating to another chosen group of industries, restraint or regulation of domestic consumption in respect of sugar, rice and tea, and regulation of exports in respect of such items as beef, hides and skins and oil cakes. No less than five international factors were kept in view while determining the future course of exports. They were: evolution of basic commodity prices in respect of selected basic commodities between 1970 and 1973; India's share in world exports and the country-wise significance of basic commodities in world trade; impact of international quotas or otherwise in respect of specific items such as coffee, sugar and textiles; bilateral trade agreements in case of east European and other countries; and other factors such as (a) trends of production and imports of major buying countries and market characteristics thereof, (b) extent of concessions through GSP and related schemes of preferences, (c) tariff and non-tariff barriers, (d) domestic adaptation to world trends and (e) pattern and potential of overseas demand in respect of commodities where specific overseas market surveys had been conducted.

How both these national and international factors were combined so as to mould statistical trends had not been explained by the study team. Presumably, the amalgams of forces operating on each commodity were different and hence different weights had to be applied to different factors. In this operation, it seemed, subjective assessment played a dominant role.

Surely, the ultimate targets fixed for the export of different commodities were the handiwork of both objective trends and subjective assessments. The only merit of the targets lay in the superior judgement and wisdom of the members of the study team who certainly had experience in this field extending over many years. But none of them had experience of the market place. If they had, and if they were really successful operators in this field, they would perhaps be not associated with this mundane study!

That was why the targets indicated by the study team would have to be taken with a pinch of salt. Exports in 1978-79 were expected to rise by 14.7 per cent per annum over 1972-73 according to the study whereas actual increase in 1973-74 over 1972-73 was about 25 per cent and in the first two months of 1974-75, the rise was of the order of 23 per cent over the corresponding period in 1973-74. If the performance of exports in 1974-75 turned out to be as good as in the first two months, then the IIFT forecast would

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e very much off the mark for the first two ears of the six-year period under reference. hus, if the draft Plan projection of .6 per cent annual rate of growth in xports was ridiculously low, the fore-ast of the IIFT also erred on the conservative side by a sizeable margin. The study had no doubt the status of a painstaking effort but with results not commensurate with the labour put in nor worthy of being taken very seriously.

Boosting mineral production

THE PLEA of Mr S.K. Sarawagi, in his presidential address to the 8th annual session of the Federation of Indian Mineral Industries (FIMI) which was held here a few days ago, that the government should bestow thought on its mineral policy with a view to making it pragmatic in the light of the current situation in the country deserves notice. This policy, enunciated in the Industrial Policy Resolution of 1956, pre-empts in a special schedule large chunks of areas containing several kinds of metallic ores for exploitation by the public sector. The areas include not only deposits which can be exploited by mechanical operations but also small reserves that can be worked economically only by manual labour. Presumably, while framing the 1956 Industrial Policy Resolution, it was felt that the larger deposits would be exploited by the central public sector undertakings and the smaller ones by state government enterprises.

Mr Sarawagi and his federation have no objection to the larger deposits of the pre-empted minerals being exploited by the public sector undertakings. What they desire is that private entrepreneurs ought to be allowed, as in terms of the recent decision of the government in regard to base metal desposits, to participate in the exploitation of the smaller reserves of the other ores. Owing to paucity of resources, both financial and technical, state governments have not been able to tap these reserves. The smaller deposits are scattered all over the country. The backward regions particularly abound in them. Besides agriculture, mining is the only sector which can be developed expeditiously in the rural areas. In revising the mineral policy, as pointed out by Mr Sarawagi, care, of course, has to be taken to provide adequate safeguards against expropriation for 10 to 15 years so that private entrepreneurs can draw up worthwhile propositions and development programmes.

Another significant point made by Mr sarawagi was that even when taking over any line of mining activity from the private sector in future, should national interests warrant that, the government should exempt small working mines from nationalisation. Experience has shown that such mines get neglected by the public sector due to their poor economics with the result that valuable exposed minerals become waste materials. The reopening of closed mines is not only a time-consuming process but also an expensive proposition.

The grant of new mining leases as well as the renewal of the existing ones, Mr Sarawagi complained, was also becoming a complicated affair, as all applications were being referred to the NMDC and MOIL for ascertaining whether they would like to acquire these leases. This practice is said to be being followed irrespective of the size of the area concerned. In several cases protracted delays have taken place in the renewal of leases, leading to suspension of mining operations and subsequently expenditure on reopening the pits. It passes comprehension why even cases relating to the renewal of small mines should be referred to the NMDC and MOIL, even after they are cleared by the state governments. Surely, guidelines for this purpose can be drawn up.

The pace of the mineral development programme, apparently, had left much to be desired in the recent past. It needs to be accelerated not only for meeting the growing domestic requirements but also for stepping up export earnings. In terms of the fifth Plan targets alone, the production of fire-clay has to be raised by 1978 over the 1972 level by 137 per cent, that of barytes by 120 per cent, of iron ore by 103 per cent, of limestone by 98 per cent, and of dolomite, gypsum, managenese ore, bauxite, kyanite and chrome ore by 64, 48, 46, 41, 40 and 22 per cent, respectively. The tentative targets thought of for the sixth Plan-end would require raising of production over the 1972 level to the extent of 187 per cent in the case of iron ore, 171 per cent in the case of limestone, 147 per cent in the case of dolomite and 113 per cent in the case of manganese ore.

If advantage is to be taken of the likely uptrend in the prices of various minerals in the international markets, production will have to be raised even at a faster rate than envisaged in terms of the above figures. The prices of iron ore, it may be mentioned, have appreciated significantly in the recent past and can be expected to go up even further owing to the clamour of the major iron ore exporting countries for a closer relationship between the rise in the prices of steel and those of iron ore.

Considerable export potentialities are said to exist at present, besides in the case of iron ore, manganese and mica—our traditional exportable minerals—for various minor minerals—barytes, bentonite, chromite, felspar, ilmenite, kyanite, magnesite, sillimanite, steatite, marble, slate, granite, etc. According to FIMI, through systematic planning, development of infrastructure and port facilities on a reasonable scale, the exports of minerals other than iron ore, manganese and mica, can be increased to as much as Rs 250 crores in the next five years from the present level of about Rs 80 crores. The private mining industry is not averse to exports being effected in a canalised manner if that helps in realising a better unit value. It is prepared to cooperate with the government in the matter. It, however, desires that export opportunities should not be lost by denying to it on dogmatic considerations the role it can play in raising production. In view of the considerable financial resources required for an acclerated minerals development programme, the setting up of a mining finance corporation for assisting private entrepreneurs would be a step in the right direction.

FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

Reduction in Oil Consumption • Steel Distribution • Three New Projects • Supplementary Budget

THE STEEP increase effected by the union government in the prices of petroleum products towards the close of last year, as a sequel to the hike in the prices of west Asian crude oil, indeed has yielded handsome results. Not only has the usual annual growth in the demand for most of these products been wiped out but also actual consumption during the first six months of the current calendar year has been significantly lower than during the corresponding period of last year. The consumption of motor spirit during the six months ending June has gone down from the level during January-June, 1973, by about 23 per cent and that of kerosene by approximately 16 per cent. The fall in the consumption of low speed diesel oil has been of the order of 18 per cent. The use of bitumen has gone down by nearly 27 per cent and that of furnace oil by slightly less than seven per cent.

upward consumption

The consumption of high-speed diesel oil (HSD) and naphtha, however, has shown an upward trend. The country consumed during the six months to June about 10 per cent more HSD and approximately 25 per cent more naphtha. This, of course, is not surprising. The demand for HSD could be expected to grow with the emphasis being placed on augmenting public transport facilities; following the curbs on the consumption of motor spirit. The requirements of naphtha had to increase if the production of fertilisers and petrochemicals had to be stepped up.

The decline in the consumption of some petroleum products appears to have been even sharper than the anticipations of the union ministry of Petroleum and Chemicals. That perhaps is the reason for the ministry bringing down its estimate of total requirements during the current financial year from the one drawn up towards the close of last year. It is now expected that we will be requiring about 2.5 million tonnes less petroleum products than envisaged in terms of the original estimate. Even allowing for substantial increases in the requirements of naphtha and HSD, the total requirements of petroleum products this year may not exceed the actual consumption during 1973-74. Along with naphtha and HSD, the consumption of furnace oil this year also may be somewhat higher than last year, despite the efforts being made to contain it. This may happen if the tempo of industrial activity picks up.

reduced imports

In view of the reduced consumption of most of the petroleum products, it is felt, that we may not have to import this year any refined product except kerosene and furnace oil. Kerosene is being imported against rupee payments from the Soviet Union. Furnace oil imports, of course, have to be financed from our free foreign exchange resources. The indigenous output of naphtha and bitumen, on the other hand, is expected to be marginally higher than the estimated requirements. The surpluses of these two products are proposed to be exported. In fact, some exports of naphtha have already taken place.

Apart from the increases effected in the prices of petroleum products, the more important measures that have been taken to curb their consumption are :

(i) the regulation of the distribution of kerosene—in some states this product has even been informally rationed;

(ii) augmenting of soft coke supplies in the urban areas so that the use of kerosene for cooking purposes can be reduced;

(iii) requesting international airlines to voluntarily reduce their fuel upliftment from this country by about 30 per cent;

(iv) restricting of supplies of diesel oil for power generation in general and prohibiting the use of diesel oil for power generation during the marriages, etc;

(v) regulation of furnace oil supplies through a 10 per cent efficiency cut on all furnace oil consumers and drastically reducing of the supplies of this fuel for non-essential uses;

(vi) provision of incentives to industry for switching over to coal-fired boilers;

(vii) resort to alternative road building materials in order to bring down the consumption of bitumen;

(viii) withdrawal of duty concession on low-speed diesel oil for utility power houses; and

(ix) restricting of the use of naphtha for the production of low-priority petrochemicals.

The National Council of Science and Technology and the Planning Commission, it is understood, are currently engaged in several exercises with a view to replacing oil by other non-conventional sources of energy such as solar power, gober gas, windmills, etc.

truck-trailer combine

Some efforts are envisaged to be made in the near future to contain even the demand for HSD. One of the possibilities being explored is the use of truck-trailer combinations for commercial vehicles so that diesel consumption per tonne-kilometre movement can be brought down. An increase in the price of HSD also is not ruled out. Simultaneously, of course, the price of kerosene will have to be raised so that the problem of adultration of HSD by kerosene does not recur.

The stepping up of the prices of HSD and kerosene is not only likely in the interest of curbing their consumption further but also to repair the damage that has been caused to the refineries

through the keeping of the prices of these products artificially low. Knowledgeable circles do not even rule out a general increase in the prices of petroleum products, as the refining units at present are said to be incurring a loss of about Rs 12.5 crores per month. Apart from the maintenance of the prices of kerosene and HSD at artificially low levels, the other reason for the current loss to refineries is the continuing uptrend in the prices of imported crude oil due to such factors as increase in royalty rates in the west Asian countries. The present prices of petroleum products are related to the average crude oil price of $ 8.48 per barrel (including indigenous crude oil). This price is understood to have gone up by about a dollar per barrel. The refineries have to be compensated for this also.

In view of the decline in consumption and the expectations that the increase in the requirements of petroleum products henceforth will not be at the same rate as envisaged while drawing up the fifth Plan, second thoughts are said to be being bestowed on putting up the Mathura refinery during the current Plan period. It is felt that the country's requirements in the next five years can be met by expanding only some of the existing refineries, particularly the Koyali refinery, which will cost much less than the setting up of the Mathura refinery. The costs estimates of the Mathura refinery and the pipeline for bringing imported crude oil to it from the Saurashtra coast is also understood to have gone up by 35-40 per cent. The laying of the pipeline, however, may not be delayed, as it may have to be used for moving products from the Koyali refinery.

* *

The deputy minister for Steel and Mines, Mr Sukhdev Prasad, has confirmed in the Rajya Sabha that the union government proposes to introduce in the near future a new distribution policy for steel. The changes proposed in the existing policy are:

1. Allocation of steel by Steel Priority Committee would hereafter be on a six-monthly basis.

2. Despatches from the main steel plants direct will be made to about 800 major SPC allottees, the remaining allottees would be provided steel by SPC through the stockyards of the main producers.

3. The list of the direct allottees will be subject to revision from time to time in the light of future demands of old projects and essential demands of newly sanctioned industrial units.

4. The list of compact group of industries would be expanded by inclusion of manufacturers of buckets, drums, barrels and containers, bolts, nuts, rivets and furniture. Allocation to these industries will be made on an annual basis.

5. Stipulation for deposit of earnest money while booking indents for steel materials will be dispensed with.

6. The Joint Plant Committee will screen the indents with reference to past allocations and outstanding orders.

* *

Mr Sukhdev Parsad has also revealed that the government is considering a proposal to set up a separate organisation to improve communications between steel plants and coal mines and also to arrange the movement of coal to thermal power stations by road. The Bihar government has been consulted on the question of setting up a unified development authority in the Jharia coalfields to look after the infrastructure facilities like roads and water supply.

Another proposal that is under the consideration of the government regarding coal is the establishment of a carbonisation plant at Ramakrishnapur in the Adilabad district of Andhra Pradesh. This plant will have a capacity to turn out 500 tonnes of coke per day and is expected to go into production by 1976.

The ministry of Steel and Mines is also thinking of setting up a spirally welded pipe plant to manufacture steel pipes for the transportation of oil, gas and water. This project is estimated to cost Rs 15.3 crores. It will have a capacity to produce 55,000 tonnes pipes per annum. The orders for the supply of plant and equipment not indigenously available have been placed on a West German firm.

* *

The Finance secretary, Mr H.N. Ray, confirmed at a press conference here last week that the government's anti-inflationary measures were not yet over. Several measures still remained to be announced. They would relate to the use of such scarce materials as cement and steel. Some measures would also aim at containing the menace of unaccounted money.

The Finance secretary conceded that the taxation proposals in the supplementary budget, which was presented to Parliament on July 31, might push up production costs in some industries. He, however, expected that the impact would be only marginal. The supplementary budget, it was stressed by Mr Ray, was specifically designed to contain the central deficit within Rs 125 crores, as envisaged by the Finance minister, Mr. Y.B. Chavan, while presenting this year's regular budget on February 28.

Questioned about the likely deficit during the current year, the Finance secretary observed that no firm figure had yet been arrived at because consultations with the other ministries were still going on. The deficit, of course, had gone up significantly not only because of the additional burden of dearness allowance of government employees, but also due the increased funds required for seeing through the development programmes of the core sector, the difficulty of containing food subsidy within Rs 100 crores as provided in the regular budget, etc.

The siphoning of excess purchasing power with the public through the recent ordinances on compulsory deposits as well as the supplementary budget, the Chief Economic Adviser, Dr Manmohan Singh argued, would in the long run have a stabilising influence on prices. He agreed that the government in future would have to consider whether instead of increasing the excise duties on industrial intermediates, it should go in for directly imposing levies on consumer products.

The secretary for Revenue Expenditure, Mr Ajit Majumdar, indicated that the Steel Authority of India would have to rationalise its pricing policy which would mean increase in the prices of some products. The consumption of both steel and cement, he added, had to be curbed.

The secretary for Economic Affairs, Mr M.G. Kaul, indicated that foreign aid available this year was now expected to be about Rs 50 crores more than the February 28 budget estimate of Rs 552 crores. Fertiliser imports, he disclosed, were expected to cost about Rs 450 crores. The inputs for the fertiliser industry would involve another Rs 120 crores expenditure in foreign exchange. Imports of foodgrains, which had been contracted up to July 31 (1.8 million tonnes), would involve an expenditure of Rs 200 crores, besides shipping freight which was about $40 per tonne. The Agriculture ministry sources, however, have indicated that foodgrains imports this year may have to be about three million tonnes.

Mr Kaul also observed that the government was not at present thinking of floating the rupee, as suggested by Mr I.G. Patel. Currently, the rupee is linked to sterling.

Needed : change in industrial loan policy

Dr P. C. Jain

DURING the fourth five-year Plan, the growth of industrial production was much lower than targetted. In 1973 industrial production increased by only 0.6 per cent as against the target of seven to eight per cent per annum. There were a number of items whose growth was much less than the targets among which yarn, cloth, paper, newsprint, cement, fertiliser, industrial machinery, steel castings, nylon and rayon were some of the important items. As a result of short-fall in investment there was reduced creation of capacities; consequently the country is currently suffering from acute shortages of a number of products Available foreign exchange which could have been utilised for further development has been spent on the import of industrial products.

The government is very keen and worried to achieve the fifth five-year Plan industrial targets for which it has simplified the industrial licensing procedures. The entrepreneurs have been assured that the letters of intent will be issued within three months but it should be realised that a letter of intent is only the first step and in itself alone can not result in creation of capacities. When one looks on the revocation of the letters of intent and the lingering on of a large number of letters of intent, one can very well imagine that mere reduction of delays in the issuance of letters of intent will not deliver the goods. If the country wants that additional capacities should be created speedily, it is necessary that certain other factors should be examined.

lack of finance

Lack of finance appears to be one of the major causes for a short-fall in the expansion of capacities. There is a great fall in savings in the country due to rising prices and reduced growth rate in the Gross National Product (GNP). The growth in the GNP was only 4.5 per cent in 1970-71, 1.7 per cent in 1971-72 and 0.6 per cent in 1972-73. In 1973-74, the growth in the economy is feared to be negative. As a result the marginal rate of saving in the country has declined considerably. Therefore, in spite of the boom in the stock exchanges and the continuous rise in share prices, new investment activity has been very much depressed except for a short period in 1973. The new issues did not receive a very good response during the first quarter of 1974 and thereafter it became very difficult to get adequate resources from the capital market.

While on the one hand the capital market is very tight, on the other hand the investment cost of the projects is continuously rising. For instance, a paper plant with 100 tonnes capacity per day which used to cost six to seven crores of rupees two years back now requires an investment of Rs 14 crores. An automobile tyres and tubes plant with a capacity of 400,000 tyres and tubes per annum which required an investment of Rs 16 crores a few years back, today costs around Rs 26 crores. A fertiliser plant with 1,000 tonnes capacity a day costs around Rs 120 crores as against Rs 80 crores three years back. While it has become difficult to raise funds from the capital market, the cost of the projects continues to increase necessitating raising of additional finance.

unchanged policy

It is a great misfortune that in spite of these facts, long term financial institutions have not changed their policy with regard to debt-equity ratio. They have fixed a norm of 2 : 1 but normally they keep the ratio at 1.6:1. In foreign countries such as West Germany and Japan, when there was an acute shortage of funds, debt-equity ratio of 4:1 or 5:1 was permitted for speedy industrialisation of the country. In the present circumstances of stringent financial position, it is necessary that the debt-equity ratio should be liberalised considerably. The financial institutions should be prepared to lend up to three times of the equity capital generally and in case of heavy industries such as cement, paper, fertiliser, rayon, automobile tyres and tubes they should be prepared to have a debt-equity ratio of 4:1. Unless this course is adopted it is doubtful that adequate resources will become available to the private sector for creating new capacities.

Along with the change in the debit equity ratio, there is another important aspect which needs to be attended to. A few years back the government of India issued guidelines to the long-term financial institutions making it obligatory on them to stipulate the condition for converting 20 per cent of loan into equity except in cases where the total assistance was Rs 25 lakhs or less. The quantum of loan to be converted, the issue price of the share to be charged to the financial institutions, the stage or stages at which the conversion will be opted, period of notice etc—all are decided unilaterally by the financial institutions.

ulterior motives

It is claimed that consideration is given to factors such as the gestation period, profitability and expansion prospects of a concern but in practice hardly any of these factors are likely to be taken into account because the ultimate motive of the government is not so much to share in the prosperity of the company (as often claimed) but to have control on the working of private sector companies.

In foreign countries, the sole objective of the conversion of loan into equity is to participate in the prosperity of a concern to whom loans have been granted but in India the main objective seems to be to have control on the working of companies. Therefore, even in those case where a substantial percentage of the shares are already held by the governmental financial institutions, conversion of loan into equity is insisted upon.

The conversion clause appears to be a strong deterrent in the expansion and diversification of the existing companies and for stimulating new investment. The entrepreneur feels that if the policy of conversion is applied to every fresh borrowing by a concern, at each subsequent stage the financial institutions will become major shareholders in the company and the entrepreneur will become a minor shareholder. Looking at the socio-

economic policy of the government it is very unlikely that the financial institutions will be permitted to unload their shares in the market which is a common practice in other countries.

Thus, the conversion clause is working as a great obstacle in expansion and diversification of existing enterprises. If the government is keen that the existing companies should expand and diversify, there should be a fresh look at the conversion clause. As this is coming in the way of new investment, this clause should be withdrawn completely. If the government has any reservations in this regard, it may be laid down that at no time financial institutions will hold more than 20 per cent of equity capital in a concern and if up to this percentage shares are already owned by the financial institutions, no further conversion would be insisted upon. Moreover, conversion should be for sharing in the prosperity of a venture rather than for interfering in its working.

In additions to the conversion clause and the low debt-equity ratio in India, reservation of shares for financial instituitions is another undesirable element in loan policy. At the time of negotiation for loan or underwriting of issues or while laying down conditions for approval under the MRTP Act, the entrepreneurs are forced to reserve a certain percentage of shares to be allotted to the financial institutions. In other countries, financial institutions or issue houses take shares only when they are not taken up by the public. Their job is to fill the gap in the capital market but not to block their resources. If the public is prepared to invest, there should not be any reservation of shares for the financial institutions.

Regional planning in Bihar

Dr M. P. Pandey

THE STATE of Bihar has three distinct regions, viz. North Bihar or the area lying north of the Ganga, the South Bihar Plateau and the South Bihar Plains. The South Bihar Plateau consists of Chotanagpur division and Santhal Parganas, while the South Bihar Plains consist of the districts lying in Patna division and the Monghyr and Bhagalpur districts of Bhagalpur division.

If one scans the figures and material having a bearing on economic variables one notices some interesting variations in the three regions.

TABLE I

Distribution of Population

(in crores)

Region	1951	1971
North Bihar	1.67	2.41
South Bihar Plains	1.25	1.79
South Bihar Plateau	1.08	1.43
Bihar	4.00	5.63

The total population of Bihar, according to the 1971 census, is 56.3 million; broken regionwise it comes to 24.1 million in North Bihar, 17.9 million in South Bihar Plains, and 14.3 million in South Bihar Plateau. In percentage terms the distribution of total population in the three regions is 42.95 per cent in North Bihar, 31.82 per cent in South Bihar Plains and 25.23 per cent in South Bihar Plateau. As compared to 1951 the proportion of population in South Bihar Plateau has declined from 27.01 per cent to 25.23 per cent in 1971. In North Bihar the proportion has gone up from 41.75 per cent to 42.95 per cent. In South Bihar Plains the change is nominal, being 31.24 per cent in 1951 and 31.82 per cent in 1971. North Bihar Plains cover an area of 53,800 square kilometres. South Bihar Plains and South Bihar Plateau have an area of 40,300 square kilometres and 79,600 square kilometres respectively. The density of population in North Bihar at 494 persons per square kilometre seems to be the highest; the corresponding figures for South Bihar Plains and South Bihar Plateau being 396 and 178 respectively. Thus, there is heavier pressure of population in North Bihar which is corroborated by other evidences also.

About 82.7 per cent of the total workers in the state are dependent upon agriculture. For the three regions the proportion of agricultural workers to total workers is 87.8 per cent in the North Bihar, 80.2 per cent in the South Bihar Plains and 74.5 per cent in the South Bihar Plateau. The proportion of agricultural labourers to total workers in the three regions of North Bihar, South Bihar Plains, South Bihar Plateau is 46.4, 40.3, and 24.1 per cent respectively. The percentage of rural population to total population, which is 95 per cent in North Bihar is also higher than the other two regions. In South Bihar Plains it is 87 per cent and in South Bihar Plateau 84 per cent.

Of the total land area, North Bihar accounts for 30.96 per cent, South Bihar Plains account for 23.24 per cent and South Bihar Plateau for 45.80 per cent. North Bihar which bears 41.75 per cent of the population of the state has only 30.96 per cent of the total land area of the state. Although North Bihar does not have as much barren or culturable waste land as in the other two regions, yet the proportion of current fallows in that region is quite high. Its net sown area is only 39.75 per cent. North Bihar has 24.55 per cent as net irrigated area of the total cultivable land. Net irregated area in the South Bihar Plains is 67.40 per cent and 8.05 per cent in South Bihar Plateau. The per capita cultivated area for the three natural regions of Bihar is as given in Table III.

Distribution of holding in North Bihar is more uneven than in either of the two other regions. Forty per cent of the cultivators in the Muzaffarpur district had a farm size of less than one acre each, but in Purnea district this size of farm (one acre) was cultivated by less than 10 per cent of the cultivators. Similarly 60 to 65 per cent of the cultivators in Muzaffarpur, Darbhanga and Saran districts had a farm size of less then 2.5 acres. Only

27 to 34 per cent of the farmers in Purnea, Shahabad, Ranchi aad Saharsa were confined to farms of this size.

Again while large farms of the size of 30 acres and more were cultivated by about three per cent of cultivators in Purnea and Shahabad districts, only about 0.5 per cent of the cultivators in Dhanbad, Santhal Parganas and Singhbhum districts had farms of this size. In Darbhanga and Muzaffarpur as much as 40 pet cent of the holdings is less than one acre in size. About four per cent of these small cultivators are compelled by necessity to sell out the whole of their land every year and become landless.

Thus North Bihar bears the peculiar semi-feudal characterstic of having the largest proportion of both larger and smaller land holdings as compared to the other regions. On the one hand the proportion of petty cultivators and landless labourers, is the highest in North Bihar, on the other hand, the largest number of tractors, oil engines and electric pumps also is concentrated in this region. Of the total tractors in use by cultivators in Bihar in 1966 North Bihar had 59.59 per cent, South Bihar Plain 34.86 per cent and South Bihar Plateau 5.55 per cent.

lowest per capita income

The per capita income in North Bihar is lowest of the three regions. In 1955-56 it was Rs 146.3 in this regions aginst Rs 148.6 in South Bihar Plains and Rs 206 in South Bihar Plateau. 77.01 per cent of the population is below the poverty line in North Bihar as against 66.99 per cent in South Bihar Plains and 70 per cent in South Bihar Plateau. The income originating from agriculture in all the districts of North Bihar is higher than the districts of the other two regions. The proportion of income originating from agriculture amounts to as much as 78.88 per cent in Champaran, 81.83 per cent in Saharasa, 74.24 per cent in Purnea, 61.90 per cent in Muzaffarpur and 59.18 per cent in Saran. As against this, most of the districts in South Bihar Plains and South Bihar Plateau, have lower income originating from agriculture. In some of the districts like Singhbhum and Dhanbad, in South Bihar Plateau and Patna and Monghyr in South Bihar Plains it is less than 30 per cent.

Some economists such as Colin Clark and Simon Kuznets have established a negative correlation between (i) the level of national income and the share of agriculture in national product, and (ii) between the level of national income and the share of labour force in agriculture. According to this as we move from countries with the highest per capita income to countries with the lowest per capita incomes, the average share of agriculture in national product rises steadily, and the lower the product per capita, the larger the share of agricultural sector in the labour force.

Subjecting the economic conditions of North Bihar to these tests we find, as detailed above, that the proportion of agricultural labourers, including landless labourers, is the highest in that region as compared to the other two regions. Similarly the proportion of income originating from agriculture is the highest in North Bihar as compared to the other two regions. In some of the districts having lower share of income originating from agriculture the per capita income is higher than districts having larger share of income originating from agriculture.

For example the per capita income of Dhanbad and Singhbhum, the districts having lower share of agricultural income was Rs 391 and Rs 277 respectively in 1955-56 as against the per capita income of Saharsa, Purnea and Champaran, the districts in North Bihar having larger share of agricultural income, in which it was Rs 178, Rs 192, Rs 133 respectively in the same year. This explains the relative poverty of North Bihar as compared to South Bihar Plains or South Bihar Plateau. The government has declared 18 districts as backward districts out of which 15 lie in North Bihar, two in South Bihar Plains, and one in South Bihar Plateau. What is needed in

TABLE II

Regional Distribution of Sown Area and Irrigated Area

	Net Area Sown in '000 acres		Net Irri. Area in '000 acres	
Regions	1950-51	1969-70	1950-51	1969-70
North Bihar	8790 (39.75%)	8291 (39.96%)	596 (10.64%)	1455 (24.55)
South Bihar Plains	6872 (31.07)	6534 (31.50)	3969 (70.85)	3996 (67.40)
South Bihar Plateau	6453 (29.18)	5921 (28.54)	1037 (18.51)	478 (8.05)
Bihar	22115 (100.00)	20746 (100.00)	5602 (100.00)	5929 (100.00)

(Figures in brackets show percentage of cultivable area in respect of (1) and percentage of cultivated area in respect of (2).

TABLE III

Per Capita Area Cultivated, Region-wise

	Per capita net cultivated area (acres).	Per capita gross cultivated area (acres).
North Bihar	0.34	0.46
South Bihar Plains	0.38	0.53
South Bihar Plateau	0.42	0.47
Bihar	0.37	0.48

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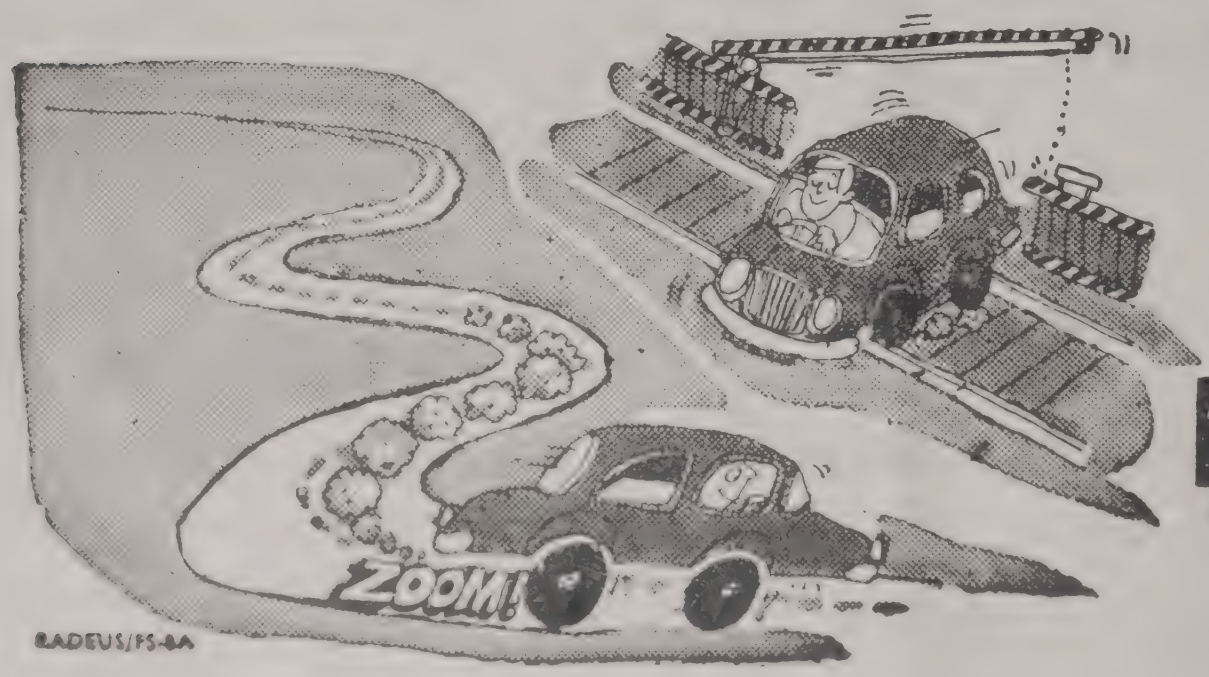


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THE STRONG TYRE

North Bihar is to break the concentration of labour force in agriculture by diversifying its economic activities.

Necessary steps for developing other sectors of the economy are being taken although they have not started bearing fruit. As the position stands presently, North Bihar is now receiving the needed attention of the government as a result of which substantial improvement has taken place in regard to the infrastructural activities in that region. But the position is yet far from satisfactory. North Bihar has 31.38 per cent of the total road length in Bihar, 32.2 per cent of the oil engines and 11.12 per cent of the electric pumps working in the state. The percentage of the villages electrified in North Bihar is 10.5 as against 27.5 in the South Bihar Plains. But in this respect the South Bihar Plateau is even poorer, where only 4.7 per cent of the villages are electrified. This is rather sad because most of the electric generators are located in South Bihar Plateau. This may be due to the fact that the villages in South Bihar Plateau have racky soil were electric power may not be useful for the purpose of irrigation. Although South Bihar Plateau is deficient from the point of view of the number of villages electrified, this region is leading from the point of view of per capita consumption of electricity.

rich in minerals

South Bihar Plateau is rich in mines and industries. All major mineral and metallurgical industries are located in Dhanbad, Ranchi, Singhbhum and Hazaribagh districts. The per capita power consumption in South Bihar Plateau is 174.69 Kwh as compared to 41.6 Kwh in South Bihar Plains and 10.00 Kwh in the North Bihar. The per capita consumption of electricity in North Bihar is pitfully low. This is a great deficiency on account of which industries are not coming up in North Bihar; even those that are existing are languishing. There are 4,117 registered small scale industries in North Bihar out of which only 1,676 are functioning. Roughly three-fourths of the units are idle. Forty-eight per cent the khadi and village industries are located in North Bihar, yet they do not provide employment to even 30 per cent of the total employment provided by these industries in the whole state.

There is no impact of Barauni industrial complex in the surrounding area in spite of tremendous development having taken place in expanding rail and road communications in the area. However, of late, it seems the government has started taking interest in this area. It has been putting in more resources for the development of North Bihar. As the estimate of Plan and non-Plan expenditure for 1973-74 shows, the highest per capita expenditure was proposed to be incurred in North Bihar. It was proposed to spend Rs 171.26 per capita in North Bihar in 1973-74 as compared to Rs 137.37 in South Bihar Plains and Rs 93.86 in South Bihar Plateau.

In certain expenditure heads North Bihar will receive substantially larger share of the total expenditure than the other two regions during this year. For example, for irrigation and river valley projects, road construction and rural engineering, North Bihar will get 62.22 per cent 42.82 per cent and 41.47 per cent respectively of the total outlay of the state under the heads concerned. But there are certain heads in which it will receive relatively smaller share. For example under the heads like soil conservation, health and public works this region will receive only 6.4 per cent, 12.13 per cent and 15.95 per cent respectively of the total outlay under the heads concerned for the state as a whole.

Out of the total outlay, on both Plan and non-Plan schemes for the entire state North Bihar was to receive 52.18 per cent during 1973-74. Considering the fact that North Bihar accounts for nearly 43 per cent of the total population of the state, the share that this region would receive in the total outlay, i.e. 52.18 per cent is not low. But, considering the magnitude of poverty prevailing in the region and economic imbalances lasting there, it is necessary that this region should receive larger proportion of the total outlay in the state. The whole region is backward and unless a few special schemes are launched to develop the infrastructure there is no hope for this region to come out of the rut of stagnation into which it has fallen.

The theoretical rationale of regional planning or balanced development does not propound that all areas of a country or state should be so developed as to bring each of them to uniform level of prosperity. But the depressed areas or relatively more backward areas should receive special treatment, be it at the planning stage, or at the time of allocation of resources, so that such regions or areas may also acquire the requisite strength or conditions for a self-sustaining growth, With this consideration in mind it is proposed that the region of North Bihar should be put on a separate footing for planning and development until the region attains the basic prerequisite for self-sustaining growth.

TABLE IV

Distribution of Land-holding in Bihar—District-wise

Districts	Under 6 acres	5 to 15 acres.	15 acres and above.
Patna	67.4	25.9	6.6
Gaya	65.4	26.9	7.7
Shahabad	55.5	32.9	11.4
Saran	82.3	15.5	2.2
Champaran	76.1	18.4	5.6
Muzaffarpur	81.9	14.1	4.0
Darbhanga	82.2	13.7	4.4
Monghyr	70.2	23.2	6.8
Bhagalpur	67.8	24.8	7.4
Saharsa	63.1	29.0	7.8
Purnea	51.4	37.4	11.4
S. P.	73.1	23.8	3.2
Palamau	65.0	27.4	7.5
Hazaribagh	76.1	21.0	3.0
Ranchi	62.6	31.5	5.8
Dhanbad	83.3	14.7	1.9
Singhbhum	72.5	23.9	3.5

How to economise petrol--II

London

Jossleyn Hennessy

I

Increasing the Efficiency of Travel by Road

MPELLED by the world oil shortage to investigate not only the problem of oil supplies but also the many neglected opportunities for economising and conserving energy, we examined here last week various emergency measures taken in Europe and the USA to economise petrol, e.g. selective restrictions on driving, cutting the supply of fuel to all consumers, petrol rationing, limiting consumption by the price mechanism, attracting commuters away from private cars to public transport, and diverting long distance travel from private cars to more economical means.

Now I conclude my summary of C. Kenneth Orski's report in the latest issue of the OECD *Observer* on the OECD's inquiry into the impact of motor cars on the environment and into the possibilities of promoting alternative methods of transport in order to reduce the uneconomic use of private cars in urban areas. Today we consider ways of increasing the efficiency of automobile travel.

To bring about any significant shift from private to public transport will be a gradual process, because it depends both on changing private attitudes towards urban travel modes and on imaginative programmes to improve public service. In the short run, therefore, we must look for opportunities to economise petrol mainly within the existing transport service, which is dominated by the private passenger car.

The average occupancy rate for private car travel to work ranges from 1.2 to 1.4 passengers/vehicle and at least 50 per cent of all cars carry only one passenger. It follows that even small increases in the occupancy rate of commuter cars would produce sizeable fuel economies, e.g., an increase from 1.4 to 1.7 passengers per car would eliminate 20 per cent of the cars from rush hour traffic, i.e. a national fuel saving of six per cent, assuming that trips to work are 25 per cent of all private car travel and account for 30 per cent of all vehicle petrol consumed.

The problem is to think up incentives for commuters to share cars. The key factor in a commuter's decision is not cost but time. Therefore time saving incentives are needed in traffic management to favour shared car travel. Where toll bridges or tunnels exist, car pools could be given priority to fully occupied cars during rush hours by allowing them to use reserved bus lanes.

Car pools could be charged reduced rates at municipal parking lots and garages and, as in Philadelphia, reduced tolls on bridges leading into a city. Commuters could be encouraged to form car pools if employers and newspapers regularly provided information on residents-destinations and schedules. Computer-aided commuter matching is used in local communities in the USA and it is planned to extend this service across the nation. Expanded car pooling would not only economise total fuel consumption but would reduce congestion and air pollution, thus combining economy with improvement of the environment.

In low-density suburbs jitneys could form the backbone of daytime public transport, while in city centres shared taxis could double or treble the passenger carrying capacity of the present numbers of taxis. Other benefits include reduced traffic congestion, demand for parking space, levels of air pollution in city centres and increased mobility for suburban residents who do not have cars.

II

Improving the Fuel Efficiency of Vehicle Operation

The energy required to drive a car increases as its speed increases. Therefore speed limits can significantly boost economy of petrol. Tests demonstrate that the lowest fuel comsumption occurs at a steady speed of between 30 and 40 miles per hour, while cruising at 50 miles per hour instead of 70 economises between 25 to 30 per cent (See chart).

Added up over the nation the saving of fuel by reduced speeds is substantial, e.g. in the USA a national speed limit of 55 miles per hour leads to the saving of 6.3 million gallons (1 US gallon=0.833 UK gallons) daily, i.e. over two per cent of daily consumption.

Not least, reduced speed limits lead to a substantial fall in accidents, which, apart from the human aspects, is a tremendous saving in ambulance, medical and hospital costs. In France the number of road deaths fell by 600 in 1973 following enforcement of lower speed limits. In the USA road deaths in November, 1973, fell by 20 per cent in states that lowered speed limits to save fuel. It is estimated that the now enforced national speed limit of 55 mph will cut the yearly death toll by 6,000.

Other nations which have reduced speed limits include Austria, Belgium Denmark, France, West Germany, Italy, the Netherlands, Norway, Spain Sweden, the USA and the UK. Despite a spec-,

WINDOW ON THE WORLD

tacular fall in road accidents and deaths the speed limit in the UK was reduced from 75 to 50 mph, the 75 limit is being restored!

In typical city driving condition petrol consumption is 30-40 per cent higher than on the open road. Practices to improve traffic flow therefore also economise petrol. One improvement is "area-wide traffic control", which aims to adjust the timing and sequence of traffic signals in congested areas. Another is "metered access", which rations the entry of cars on to a major highway by computer-controlled signals to smooth the traffic flow. These measures have been successful in easing congestion and economising fuel in many cities.

Poor maintenance of a car's ignition, carburettor, air filter and cylinder compression increases fuel consumption by 20 per cent. An improperly tuned engine uses six per cent more fuel than necessary. Higher petrol prices can induce car owners to maintain properly serviced cars; obligatory inspections to ensure that cars are properly tuned has also been found valuable.

III

Changes in Car Engine Design

Many factors influence car fuel economy, but weight is the most important. A 1,000 kilogram car achieves about double the mileage of a 2,000 kg model (See table p. 250). Each 100 lbs increase in weight loses one to two per cent of fuel economy.

Partly for reasons of safety and partly is response to consumer demand, the size and weight of cars has (at any rate until very recently) been steadily increasing. Even models originally sold as "compacts" have grown and some very small cars (e.g. the Fiat 500, 4 CV Renault, and the Topolino,) have ceased production. Standard US cars have gained an average of 800 lbs in the past twelve years and now weigh more than 4,000 lbs. In Europe, average weight has climbed from 1,200 kg in 1960 to over 1,400 kg today. The result has been a big loss of fuel ecomomy on both sides of the Atlantic. In the USA, average fuel economy has fallen by 16 per cent in the last ten years.

Air conditioning, automatic transmission, and power steering have reduced fuel economy. Air conditioning penalises fuel economy by nine per cent, which in city driving in hot weather can reach 20 per cent. Automatic transmission produces a 10 per cent fuel ecoomy loss, although the penalty decreases in heavier cars equipped with emission controls.

Other factors affecting fuel economy are the size and shape of the car, tyres (e.g. radial tyres secure a three per cent gain in fuel economy compared with normal bias ply tyres), axle ratio (the lower the ratio greater the economy) and engine design. Raising the engine compression will increase fuel economy, because the engine will be operating at higher efficiency. Reducing the size of the engine will often produce fuel savings because spark ignition engines are more efficient when operating near full loads.

emission controls

Do stringent emission controls affect fuel economy? According to tests in the USA heavy cars of 4,000 lbs or more equipped with emission controls that meet the US 1973 pollution standards have suffered on average fuel penalties of 14-18 per cent, whereas light cars have shown 2-3 per cent better fuel economy compared with uncontrolled cars. In Europe, current emission controls are not expected to affect fuel economy.

Higher petrol prices should promote more fuel-efficient cars as motorists become more concious of the rising cost of driving. The sizeable shift to smaller cars in recent months in the USA suggests that even the anticipation of a rise in petrol prices causes drivers to choose less expensive cars and influences the types that manufacturers produce. European car drivers are behaving similarly. In West Germany, the demand for larger cars has fallen by 10 per cent while smaller cars hold their own. In France, demand has led car manufacturers to increase the output of econonmy models and reduce luxury models.

Some observers believe that the need to economise petrol is great enough to justifiy incentives or penalties to accelerate the shift towards more fuel-efficient cars. What kind of government action is needed? To require manufacturers to state the fuel economy of their models would be the mildest form of persuasion. In the USA new cars must now display labels showing for each car-weight category the miles per gallon range of each category and the fuel cost of operating the averege car for 10,000 miles (See table). From next year, the fuel economy of the individual car will also have to be stated.

More direct fuel economy could be secured by a tax penalising the buying of cars with poor fuel rates. It is argued that such a charge geared to the fuel economy characteristics of cars and added to the buying price of a car would more clearly define for the consumer the real cost to himself and to the nation of the type of car that he is buying and would be a stronger disincentive than a petrol tax which is spread over the life of a car and is therefore largely hidden.

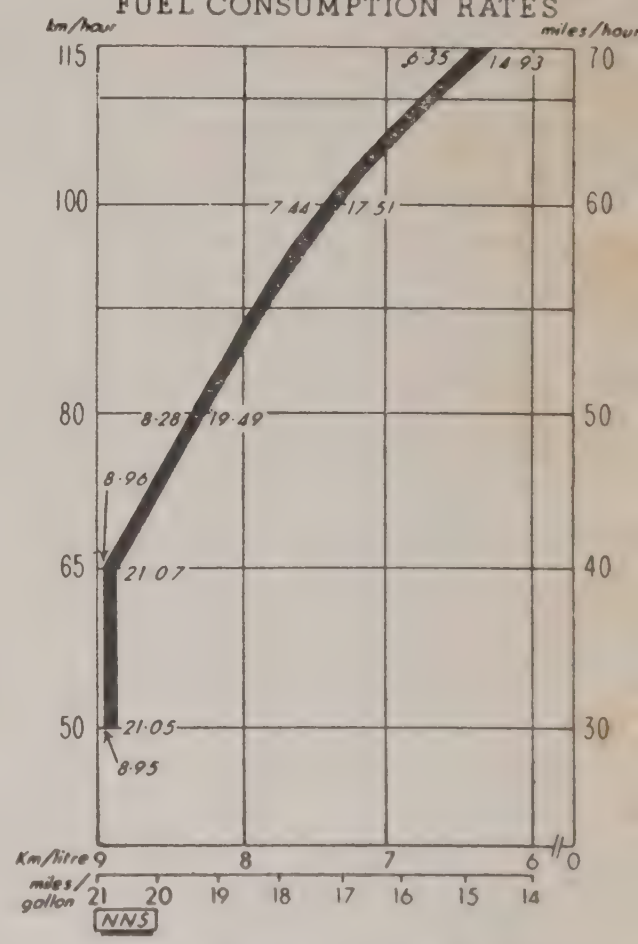
Differential taxes on engine displacement have long been in use in some European countries and have influenced the current production of light-weight cars with small engines and good fuel economies. It might, however, be better to base the fuel economy charge directly on the car's fuel performance, cars meeting a given standard, say, 10 kilometres per litre, would not be taxed. Those that fell short would be charged proportionately more. Optional features which influence petrol consumption, such as air conditioning and automatic transmission, could be taxed additonally. The attraction of this approach is that it leaves car manufacturers the maximum freedom to innovate and themselves to decide on the most appropriate balances between car weight, engine size and driving performance.

IV

Long Term Measures

Beyond improvements in the existing internal combustion engines are longer terms possibilities of much more efficient unconventional engines, not

EFFECT OF SPEED ON AUTOMOBILE FUEL CONSUMPTION RATES



Source : US Department of Transportation, "The effect of speed on Automobile Gasoline Consumption Rates." October 1973.

dependent on petrol or its substitutes. But, in the long run, policies that concentrate solely on improving the energy efficiency of transport may not be enough. Lasting solutions to the growing shortage of energy resources may also require efforts to minimise avoidable travelling.

In the past 30 years decisions on where to locate housing and industrial activities have been made regardless of the most economic use of space available. The car and the lorry have made it possible to live, work, shop, go to school and visit friends in widely separated places. The benefits from dispersed use of land have been undeniable, both by enabling more efficient organisation of production and distribution and by allowing people to enjoy vastly greater living space. But this dispersed use of land has also created "enforced mobility", to the disadvantage of those without cars and to the intensifiication of the growing shortage of land and fuel resources.

In existing urban areas, where the use of land has already been established, the patterns of travel and requirements for transport in the short run are fixed. But in newly urbanising areas it is still possible to minimise travel requirements by planning that housing, employment and community services are integrated. Even established urban areas are in a constant state of change, and a start can be made to redirect the process of their redevelopment in ways that decrease the need for transport, i.e. by providing houses and a good environment close to places of work to reduce the need for long commuting trips, and by clustering activities to create self-contained neighbourhoods, in which distances between homes, schools, shops, playgrounds and community facilities are small enough to be covered on foot or cycle.

On a larger scale, we can began to restructure metropolitan areas into multicentred regional cities within which public transport provides efficient high speed services between the centres. while cars are reserved primarily to serve the needs of local movement. These long term strategies will require careful planning, public discussion, and, in many countries, new powers to intervene in the buying and selling of private land. Buf if petrol shortages and balance of payment deficits make it imperative to reduce car travel, changes in land use patterns aimed at minimising distances between home and work, home and school, and home and shops could in the long run be the least painful adjustment possible.

Improved communications are another potentially powerful means of reducing urban travel requirements. Technological advances in electronics may enable urban dwellers to dial for many services which they can now obtain only by going out for them. The use of video-telephone, cable TV and tele-transmission of newspapers and other printed matter, could reduce the need to transact business in central offices and could reduce the volume of commuting. Companies may in future provide suburban offiicess for the convenience of employees, who can work together effectively with picture-phones and time-sharing computer systems. Reports and correspondance will be transmitted between offices as easily as making a phone call today. It will also be possible to put enquiries to public libraries, travel agencies, civic authorties, and other information sources, to obtain information via printed form, voice or electronic illustration.

This "community without propinquity" may not be desirable as a replacement for all face-to-face contacts. If, however, the need to lessen our dependence on oil resources makes reductions in the use of cars obligatory, the potential of sophisticated systems as substitutes for travel cannot be ignored.

Automobile Fuel Performance and Fuel Costs
(in urban driving conditions)

Vehicle Weight		Fuel Economy				Avg. Specific Fuel Consumption		Fuel Costs per 16000 km. or 10000 miles		
		km per litre		miles per gallon		litres/100 km	gallons/ 100 km	U.S. 55 cents/ gallon	France 1.75 F/ litre	Germany 0.80 DM/ litre
kg	lbs	range	avg.	range	avg.					
900	2,000	9-12	10	22-29	24	10	41.5	$ 230	2,800 F	1280 DM
1,012	2,250	8-10	9	19-25	21.5	11	46.5	$ 255	3,100 F	1400 DM
1,125	2,500	7-9	8	17-22.5	18.5	12	54	$ 300	3,500 F	1600 DM
1,237	2,750	4-10	7.5	10.5-24.5	17.5	13	57	$ 315	3,700 F	1700 DM
1,350	3,000	4-8	6	9-120	15	16	66.5	$ 365	4,700 F	2100 DM
1,575	3,500	4-8	5.5	10.5-20	13.5	18	74	$ 410	5,100 F	2300 DM
1,800	4,000	3-8	4.5	6.5-19	10.5	22	95	$ 525	6,200 F	2800 DM
2,025	4,500	3-6	4	7.5-14	9.5	25	105	$ 580	7,000 F	3200 DM
2,250	5,000	3-5	4	7-11	9	25	111	$ 610	7,000 F	3200 DM
2,475	5,500	3-4	3.5	7-10.5	8	28	125	$ 690	8,000 F	3650 DM

Adapted from US Environmental Protection Agency data. The data on fuel economy were developed using a test procedure which simulates commuter-type driving. The above results are not indicative,therefore of highway-type driving which can be as much as 40 per cent more efficient.



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When the prime minister was in Bangalore recently, she laid the corner stone for Dr Rao's Institute for Social and Economic Change and also had lunch with him at his place. There is one whole host of his admirers who believe that Dr Rao was rather shabbily treated when he was dropped from the cabinet after the last, mid-term general election. These people will certainly be very happy if his high academic status as well as his good work in public life are properly recognized. In my view the offer of vice-presidentship to him would have been an act twice blessed in the Shakespearean sense. It is true that Dr Rao loves to hear his own voice but talkativeness has never been a disqualification in our country for presiding officers of legislatures. Consequently, it need not be assumed that Dr Rao would not have made an effective chairman of the Rajya Sabha. Moreover now that it is certain that Mr Fakhruddin Ali Ahmed will be next President, it would not at all have been a bad idea for the country to instal a real intellectual as his deputy.

At this point, however, I find it hard to resist the temptation to be truly original. Why should not Dr Dinanath Kasinath Rangnekar have been considered for the vice-president's office ? There is of course nothing impossibly wild in this suggestion. Has not *Time* magazine, giving its list of "150 rising world leaders" in its issue of July 15, selected the editor of *Economic Times* to represent India, along with Mr Charles M. Correa who, to quote *Time*, is "one of India's most distinguished architects." In the good old days, when a Hindu king died without an heir, there was a practice of sending the palace elephant out into the streets to locate a successor. Whomsoever the beast took in to its massive head to garland with the flowers carried on its trunk won the lottery. *Time* has not used an elephant and it does not say that it has used a computer either. But then we need not unduly trouble ourselves with figuring out the means so long as we approve of the results, which I for one, emphatically do and, having done this, I suggest that one of the ways Dr Rangnekar might have prepared himself for his tryst with destiny was to begin by being the next vice-president of India. It is true that, when old men become vice-presidents, they can aspire for nothing better than promotion as presidents. Where a vice-president happens, however to be full of beans but not full of years he ought to be able to play his cards so skilfully that, when the occasion arises he would be the obvious and even compelling choice for the office of prime minister.

Dr Rangnekar, however, may have his own preferences. Perhaps he might like to start with the Finance ministership and progress towards the top job in government. According to the *Time* paragraph on him, Dr Rangnekar "believes that policy can best be influenced through unofficial high-level consultation." The implication could be that he is one of those who have at least the ears of those who have the ears of the prime minister, in which case one may even wonder how much of New Delhi's current anti-inflationary startegy the country owes to Dr Rangnekar. In any case, since almost everybody—and not merely Mr Piloo Mody—seems to have concluded that Mr Y.B. Chavan is to be immediately replaced at the Finance ministry, the prime minister may perhaps be persuaded to think that what South Block must have after Mr. Chavan is a really new broom such as Dr Rangnekar. Only Mr Romesh Thapar could have a thing or two to say about this. Most would agree that he clearly scores over Mr Correa if not over Dr Rangnekar as a possible if not probable Indian contribution to "rising world leaders." But then, he is the innocent victim of that cruel old man, Time—I am not referring here to the news magazine. Mr Thapar, unfortunately, was born seven years too early, for *Time* (here I mean, of course, the news magazine) has determined, admittedly arbitrarily, the uper qualifying age limit at 45 for catalogue of "150 Faces for the Future."

I have respect for Mr R.K. Talwar, not so much because he happens to be chairman of State Bank of India, but because I admire his intellectual integrity, professional independence and, above all, his cultural attitudes. I am therefore rather sorry that this bank should have spawned what I consider to be an atrociously mean money project. The reference here is to what it calls its recurring deposit scheme for schoolgoing children. Normally, schoolgoing children should only have enough money to spend on the trifles which warm a child's heart or please a child's senses. There are of course the vulgar rich who, as one way of flaunting their wealth, give their young offspring money to throw about or throw away, or even burden them with bank accounts. But this is a pernicious practice which should be trodden upon with contempt rather than encouraged.

Children are not at all expected to save money for the future. They must be allowed their unique world of mystery, magic and merriment. To destory the beauty, joy and, above all, the innocence of this world of theirs is to commit a sin that cannot be forgiven. If the money changers do not have a place in the temple of God, they are even more clearly out of bounds in the universe of very young. To talk of inculcating the habit of thrift in people from their childhood is to try to make a philosophy out of petty peddling. Children after all have their guardians, natural or legal, and it is the business of these guardians to plan or provide for their future. I therefore find the State Bank's recurring deposit scheme for schoolgoing children not merely odd but a positively obscene gimmick and I entreat Mr Talwar to think again. Even if it may not be given to all to leave the world a better place than they found it, let us at least avoid making it more foul than it need be.

In parliament, one and the same day, viz,, August 6, two different statements were reportedly made by two different ministers dealing with the same point. While the minister for Tourism and Civil Aviation, Mrs Sarojini Mahishi, was said to have stated in reply to Mr L. K. Advani that the tourist vehicles maintained by the Indian Tourism Development Corporation were showing an overall profit in their operations, Mr K. R. Ganesh, the minister of state in the ministry of Finance, in answer to a question put by Mr Lokanath Misra, was reported to have informed the House that the ITDC was incurring losses on the operations of tourist cars. I suppose that, in the public sector, as in the private sector, it is not only that statistics can be made to lie but also that accounts could be so kept as to yield different versions of what may be the facts or the figures.

VB

BOOKS BRIEFLY

Reviewed by
Academicus

Breaking the transport bottleneck

Transport Planning and Finance : Edited by D. M. Nanjundappa, Karnatak University, Dharwar; Pp. 441; Price Rs 16.

Indian Tea—A Strategy for Development : S. Manoharan; S. Chand & Co, (Pvt) Ltd, New Delhi; 1974; Pp 157; Price Rs 20.

Planning and the Poor : B. S. Minhas: S. Chand & Co. (Pvt) Ltd, New Delhi; 1974; Pp 141; Price Rs 25.

Development Administration in India : Edited by V. A. Pai Panandikar; Macmillion; 1974; Pp 238; Price Rs 75.

Pricing and Investment in Public Enterprises : Edited by V. V. Ramanadham, Director, Institute of Public Enterprises; Oxford & I B H Publishing Co; 1974; Pp 342; Price Rs 35.

Monetary Theory : D. M. Mithani; Vora & Co. Publishers Private Ltd, Bombay; Pp 704; Price Rs 21.

THOUGH TRANSPORT plays a crucial role in the economic development of backward countries, transport problems are unfortunately receiving scant attention by academicians as also by policy makers. The whole approach to transport problems even in India appears to be based on *ad hocism* with the consequence that transport has been proving an important bottleneck hampering the process of development. There are a number of important theoretical and policy matters concerning transport development in India on which research and theoretical discussion is necessary. It is therefore extremely gratifying that Prof D. M. Nanjundappa has been doing pioneering work in this neglected field. He was instrumental in holding a seminar on transport problems at Dharwar in 1972 and *Transport Planning and Finance* is an excellently produced volume containing the papers written for the seminar as also the proceedings and discussion that took place in the seminar.

wide vista

What a vast vista awaits investigation and research! The editor has done well to spell out various transport problems which need to be investigated. Thus he has referred to aspects such as "transport and rural development planning, transport as a means to reduce regional imbalances, an optimal rates policy for railways, roads, air and water transport, the effects of the rate structure on industrial locations, coordination of investment through suitable price policy, railway and road track costs, air terminal and port costs, efficient utilisation of tracks and terminals operating costs and earnings in railways, subsidies to rural transport, costs of noise and pollution, urban transportation, congestion and land use planning, role of bicycles, rickshaws and scooters in short-distance transport, budgeting for transport, alternative methods of financing transport systems, maintenance expenditure for roads, licensing and financing of road transport, tax harmonisation and integration of freight."

cost-benefit analysis

There are some interesting papers in this volume. Dr Sagger feels that the existing practices in India regarding investment in road infrastructure is based on *ad hoc* decisions. The conventional methods of appraising a capital project like 'the pay-back period approach' or 'the yearly rate of return approach' are necessarily based on historical data and do not take into account the entire life of the investment project, nor do they take into consideration the timing of the cash accruals. A more important limitation of these approaches is that they do not take into account the external economies or the social benefits that would accrue to the community at large. The author is of the opinion that the modern 'cost-benefit analysis' can be of some help. But such an approach requires that (i) there is a sound theoretical structure, (ii) there is available the kind of data required and (iii) there is correct understanding of all the difficulties involved

Mr Sundaram has brought out excellently rail-road controversy in the forefront of investment policy. He wants to focus the attention of the policy makers on the economies of operation of these important modes of transport before committing themselves to capital investment. One is also inclined to agree with the author's suggestion that "the capacity should be a little ahead of demand so that occasional spurts in demand could be met."

Nadkarni and Deogirikar have rightly emphasised that though road construction in rural areas stimulates growth in agriculture, it has been generally neglected in India.

urban problems

Dr Meti has approached the problem of urban transport from the point of view of fast growing urban centres. To solve these problems, the author has suggested steps such as providing for parking arrangements for vehicle owners, construction and widening of foot-paths for pedestrians, providing proper road signalling arrangements and creating necessary traffic zones, such as school zones, sport zones, hospital zones etc. The author has rightly emphasised the importance of traffic education both to pedestrians and to drivers of vehicles.

Prof Nanjundappa has dealt with the problem of pricing of road services with a view to ensuring efficient resource allocation and optimal road development. He has concluded that the principle of marginal cost pricing cannot succeed in achieving the various objectives of road policy. Hence according to him, "a balance should be struck between redistributive function and that of allocative efficiency."

Ursula Hicks has written an extremely readable article for the seminar on city transport problems in less developed countries. This is of great significance since rapid and dynamic growth is especially marked in very large cities in less developed countries, exercising tremendous influence on the growth rate of the country as a whole.

It would be instructive to know some

of the important conclusions at which the seminar arrived. The seminar was of the opinion that there should be larger outlay on transport, particularly on roads including rural roads "in view of the contribution of transport in expediting the growth process and bringing about an increase in industrial and agricultural output and reducing regional imbalances" Also there should be proper coordination of investment in different modes of transport through pricing policies. The seminar was of the opinion that the method of financing transport needs a through revision and reform. It was felt that "the competing modes of transport should be placed on an equal basis in the matter of their contribution to the exchequer." Also there should be a system of integrated financing for transport. Loan Financing, ear-marking of taxes and toll finances should be provided for financing road programmes. The optimal level of taxation of transport can be determined by adopting some form of pricing transport services with the emphasis on both full costs and marginal cost principles. It was also felt that in respect of planning for transport, adequate attention should be given to the tackling of congestion problems in the cities and for land use planning in the estimation of demand for transport.

Some of the articles in the volume are not up to the mark and many authors have repeated things which are commonplace. There are no papers on railway transport, shipping and air transport and this exclusion makes the discussion rather lop-sided. And yet the seminar and the volume have succeedad in making aware to scholars the richness of the field of transport economics for research in Indian universities. Prof. Nanjundappa would be doing a great service, if he makes transport problems his major field of research and study and pursues it with the undoubted abilities which he possesses.

Three Leaves and a Bud

What an interesting and fruitful subject S. Manoharan has chosen for his discourse and what a wealth of details he has given in his small but fascinating book *Indian Tea*!

A number of writers such as C. R. Harler, J. M. Scott, P. Griffiths, V. D. Wickizer, Uker and G. K. Sarkar have already written about tea on which, besides the outstanding works by the above authors, there are myriad reports, lengthy articles and occasional pamphlets, trade periodicals, technical journals and government reports. But all the vast literature aims more at building a framework for analysing the world tea economy in totality rather than trying to isolate problems of any particular country. It is to fill this gap that S. Manoharan has written this book concentrating mainly on the Indian component of the world tea economy. Though the present book aims at identifying the problems of the Indian tea industry, tea being an internationally traded commodity, the fortunes of Indian tea are so interwoven with the international tea situation that the author inevitably had to analyse the problems of the Indian tea industry against the rival producers of the commodity. This enables the readers to have a proper perspective.

fascinating account

The author begins by giving a fascinating account of the evolution of tea which "as a non-alcholic beverage is one of the chief joys of life and no other drink except water is consumed by so many and so much." The cultivation of tea, largely because of climatic reasons, is confined to south Asian and African countries which are developing countries. Though at present more than 25 countries are growing tea, only a few of them are exporters of consequence. Today India is regarded as the tea garden of the world and tea industy holds a primary place in its industrial and international trade structure.

In recent years the average annual value of world tea exports is around $510 million, though it constitutes only about one per cent of the total world value of primary imports into industrial countries. But it needs to be noted that India's share in world tea production has declined from 48.5 per cent in 1951 to 38.9 per cent in 1971 and that of Sri Lanka from 25.2 to 19.2 per cent, while during the same period the share of east Africa has gone up from 2.8 per cent to 7.4 per cent. Also India's share in world tea exports has declined from 45 per cent in 1951 to 32 per cent in 1971, while during the same period the share of Sri Lanka has increased from 30.2 per cent to 31.2 per cent and of east Africa from three per cent to 11.8 per cent. It needs to be carefully noted that east Africa has been gaining in the world tea market at the expense of India.

The author has analysed various aspects of the Indian tea problems such as the cause of declining prices of tea in the primary marketing of tea, units of tea production in India, distribution of ownership, financial structure of the industry (which indicates increasing dependence of financial institutions and banks and declining share of internal resources) and percentage of profit after tax to net worth (which has declined from 27.4 per cent in 1954 to 4.3 per cent in 1969-70 as against the average of 9.3 per cent for all industries in 1969-70.)

Reviewing the export position of Indian tea, the author has pointed out how for nearly half a century India has been exporting tea, how she wrested leadership of the world tea exports from China in 1904 to lost it to Sri Lanka in 1965, regaining the ace position again in 1971. But the pride of place enjoyed by tea in India's export earnings shows a declining trend (falling from 18.43 per cent in 1960 to 9.86 per cent in 1971) mainly due to diversification of India's exports. Also while in 1950 Indian exports of tea were highly concentrated on a few markets, by 1960 this concentration has decreased considerably. In 1970 Indian tea exports have been further diversified substantially At present (i.e. in 1971) priority markets for Indian tea, according to ranking, are the UK, east Europe (including USSR), Afghanistan, Sudan, Egypt, the USA, followed by such countries as Iraq, Ireland Canada and West Germany. A study of the priority markets for Indian tea reveals that hard currency markets are by and large losing their ranks of importance and they are being replaced by soft currency markets. It also need to be noted that during 1960s, the volume of tea traded under bilateral agreements has tremedously increased. Reviewing Indian tea exports the author has shown that India is losing her share in the world market, though the volume of world trade has been increasing. Also India is losing its share in some markets. According to the author the major cause is "the failure of Indian salesmanship."

promotional mechanism

The author has emphasised the importance of the selection of appropriate promotional mechanisms and media and vigorous use of them for promoting Indian exports of tea. The author has emphasised that instead of concentrating on 'generic promotion' of tea exports, India should give greater prominence to 'unilateral promotion'. India should provide inducements such as cash discounts, increased margins, free samples, exhibition and salesman incentives. The author has rightly emphasised that "The tea industry in India needs urgently an integrated, all embracing economic strategy to place it on a good and firm footing and also to achieve a long-run objective."

If in the world trade of 1980 India wishes to retain its share achieved in 196

she will have to increase her production from 433 million kg. in 1971 to 617 million kg. which means India's share in world production of tea should reach 42.6 per cent so that its share in the world exports can be kept at 36.5 per cent. This will require replacing obsolete tea bushes by an appropriate rate of replanting the fresh ones. Supply of adequate and suitable varieties of clones should be ensured. World tea market is dominated by oligopolistic buying manoeuvres. Though there are hundreds of sellers, the number of big buyers is limited to six. In order to ensure fair price to tea producers, the government should effectively regulate the primary marketing of tea.

It appears that there is immense scope for Indian tea in Japan and West Germany, if effective promotional efforts are carried out. Also selling packet teas would be quite a profitable proposition. Last but not the least, it is necessary to assign proper representation to small tea gardens on various bodies. The government should win their favour by understanding their problems and helping them to solve them. A study made by the union Finance ministry in 1969 has revealed that no additional resources would accrue to the government in the event of nationalisation of tea plantations. The government therefore should not take ambivalent position in this regard but create confidence in the minds of the producers by a clear-cut policy in regard to nationalisation. If the above steps are taken, it is not beyond the ingenuity of the government and tea planters in India to restore Indian tea exports to the pre-eminent position which once it enjoyed in world tea markets.

It is an excellent book, instructive and entertaining, and gives all about Indian tea which an average Indian reader is interested to know.

Poor Planning

Since the resignation of Dr B.S. Minhas from the Planning Commission, his pronouncements and writings have acquired some special significance. That is reason enough to attract readers to his book *Planning and the Poor* though some of the articles in this volume were written much earlier.

Securing rapid economic growth and expansion of employment opportunities, reduction in disparities in income and wealth, prevention of concentration of economic power, and the creation of the values and attitudes of a free and equal society have been among the objectives of Indian economic planning adopted since 1951. How near or how far are we from these goals of our planning? Dr Minhas's four articles in this volume hover round this central theme.

The first article (written in 1969) traces the evolution of objeetives and strategy of Indian economic planning in the Nehru era, offers a detailed and constructive critique of the objectives, content and policy frame of the fourth five-year Plan and draws attention to the need of economic and social discipline in the context of development along socialist line in a mixed economy. A systematic assessment of the proportion and number of people living below the poverty line between 1957-58 and 1967-68 is given (about 240 million, incidentally an approximation) and a strong plea is made by the author for a determined attack on the problem of abject poverty. Dr Minhas is of the opinion that "The Planning Commission have all but missed their opportunity in the Fourth Plan Draft to grasp the compulsions of Indian poverty and to focus the nation's attention on the course open to it."

land reforms

The second essay written in 1970 begins with the estimates of the proportions and numbers of the rural poor and attempts identification of them by categories of land-holdings and broad occupational groups. The author then investigates the role of land reforms in the elimination of rural poverty. He has suggested a radical scheme of land distribution for the elimination of rural poverty. The author has laid particular emphasis on the question of scientific land and water management as a means of removal of rural poverty. The author has emphasised that in any meaningful strategy of development for India, integrated rural development will have to be made the king-pin of our developmental efforts.

In 1971 and 1972 politicians and academicians in India were all talking and writing about India's poor who had become 'the darlings' of the social and political elites. "Garibi Hatao" formed the central piece of the electoral platform of the Congress in the 1971 mid-term election. A number of special schemes for the benefit of the poor and unemployed were introduced in the 1971-72 union budget. All these were *ad hoc* schemes outside the fourth Plan.

Congress scored a resounding victory at the polls in 1972. The economy was in a fairly satisfactory position. After two years of relative stagnation, industrial production was picking up. A sizable buffer stock of foodgrains was in hand and foreign exchange position was fairly comfortable. The party in power had all the power it could wish for! It was against this background that work on the fifth five-year Plan (whose central piece was garibi hatao) commenced. In September 1972, the author started an assessment of the experience that was available with respect to the special programmes of rural development for weaker sections with a view to see if any modifications were needed in these programmes during the period of the fifth Plan. The third article in the volume is based on the result of this assessment by the author. In this article we get critical assessment of the various special programmes to fight rural poverty, such as the Small Farmer's Development Agency, the Drought Prone Areas Programmes and the Crash Scheme for Rural Employment.

sagging discipline

In the latter part of 1972 disturbing trends had already made their appearance in the Indian economy. Political and economic discipline had begun sagging. According to the author, the fourth essay in this volume is "a product of these overheated months." This essay was the expression of the author's concern regarding the lack of economic and financial discipline in the government. It is concerned with the dangerous consequences of the inflationary course of development for the poor.

As 1972 rolled along, the Indian economy continued its downhill march. Inflation had gathered speed and so had labour unrest. Determined and systematic efforts to control the situation were conspicious by their absence. By October 1973, we had travelled on to the threshold of hyper-inflation! It was against the imminent crisis that the draft of the fifth five-year Plan (1974-79) was being prepared. The author as is now well-known tried to focus the attention on the inconsistencies between "the Approach" and 'the Draft' of the fifth five-year Plan, the unrealistic assumptions made in the draft, the infeasibility of the important targets, the imminent danger of balance-of- payments crisis and its inconsistency with the objective of self-reliance, and the inflation which was getting out of hands and its consequences for growth and rural poverty. It was against this background that Dr. Minhas resigned. Dr Minhas's letter to the Prime Minister and his note on the draft of the fifth Plan submitted prior to his resignation are given in the appendix.

The author has been consistently emphasing that "A rampant inflation in a

stagnant economy is the most regressive form of taxtion. It hurts the poor in their stomach. This is what is happening in India today." Inflationary route will not only not assure a fair deal to the poor but will actually make their position worse. The foremost requirement of non-inflationary course of development is the exercise of strict financial discipline which can emerge only if there was a stern political will.

Dr Minhas has not told anything which has not been stated before. And yet there is an authentic ring about what he says and therefore one is happy that one's worst fears are shared by an author who until the other day was instrumental to some extent at least in shaping our planning and policies.

Development Administration

While research in economics has proceeded at a fairly brisk pace in India after independence, the same cannot be said about research in development administration. Our experience with economic planning so far has brought to the forefront the conceptual and practical problems of development administration. It is now being increasingly realised that unless the administration which has evolved when the state followed the policy of laissez faire is replaced by an administration that is imbued with new ideals and consists of a suitable structure competent to undertake and execute economic developmental programmes, our developmental efforts will not bear expected fruits. This realisation has led to some thought being given during the last decade to problems of development administration in the country. Thus it was that with a view to resolving these issues and to make public administration 'a fit instrument' of development the Administrative Reforms Commission came to be appointed in 1966.

As the editor *of Development Administration in India* has pointed out, the book "attempts to bring together in most of the key areas of development administration both the conceptual as well as operational level problems." Attempts have been made in these articles written by eminent authors to draw upon the real Indian situation and concentrate upon the problems as they have emerged over the years.

Tarlok Singh writing on 'Administration for Development' has dealt with the political and administrative assumptions of development in India and has brought out the distinctions between development administration and general administration. According to the author, the political assumptions underlying development administration in India are that development is being undertaken within a federal set up which gives much responsibility to the states, development is being carried on within a parliamentary set up where executive is responsible to the legislature and finally the acceptance of institutions of local democracy and desire to enhance their effectiveness in meeting the needs of the people. It must also be noted that India inherited a certain machinery of administration from the British. It was mainly evolved to maintain law and order within the country. It follows that unless administration is suitably reorganised on the basis not how authority will flow but what results are to be secured and what conditions of delegation and responsibility and of assignment of personnel and other resources will ensure the attainment of those results, our attempts to rebuild our economy will not succeed.

S.R. Maheshwari has shown vividly how the ever growing responsibilities, especially in the development field, have affected the structure of the union government since independence—the increasing number of departments and ministries, boards and commissions, advisory committees, zonal councils, regional electricity boards, control boards for river valley projects, zonal councils and so on. The author has also shown the significant administrative changes that have taken place at the state and district levels,

planning management

While S.R. Sen has described the complex process through which planning has to go and the various problems associated with it, V.A. Pai Panandikar has examined the problems connected with programme planning and management. The author has shown how a discrete programme becomes the crucial instrument for translating the overall plan into a concrete set of action-steps and how there is lack of planning and management in Indian development programmes.

J.M. Kitchlu writing about project management, has pointed out the various lacunae in the present system of project management in India and the need for specific steps to be taken for improving the general level of project management in the country, especially in the context of the fifth Plan. What is needed, according to the author, is the innovation, initiative and willingness on the part of project managers in all phases of a project life cycle. That would go a long way in improving the performance of the projects.

V.A. Pai Panandikar and Amar Singh have examined the very important problem of area development. They have examined the various steps taken so far in area development and the conceptual basis and the need for evolving a different approach to area development, especially to provide a more effective administrative-political-technical linkage at the grass roots. They have emphasised the need in area development programmes to secure the active participation of the elected representatives and citizens, strengthen the existing political institutions such as panchayats and zilla parishads and clearly establish the role of principal administrative units responsible for area development.

performance budgeting

M.J.K. Thavaraji writing on 'Performance Budgeting in India' has suggested various steps that are necessary to make performance budgeting effective. He has also shown how the processes are supposed to operate and what benefits this would give to the administrative system in general and development administration in particular.

A.P. Barnabas has written on seemingly ordinary but a very important topic of the role of reporting, appraisal and evaluation in relation to a project in a developing economy. He has suggested that "the level of reporting, appraisal and evaluation is highly unsatisfactory in India as a result of which practical benefits are not derived in an adequate measure from many of them."

V. Jagannadham has discussed a vital problem namely 'Citizen-Administration Relation in Development.' In a developing economy the relation between citizens and administration is of great relevance since successful development administration depends heavily upon citizens' cooperation. The author has analysed the problem involved and has suggested concrete measures that would make this relationship effective and mutually supportive.

And finally, J.N. Khosla has discussed the problems of and need for research in development administration. There is no doubt that as the author has stated, there is a wide gap in the present research in development administration and the areas that deserve priority-attention of the Indian scholars.

What a vast vista this excellent book

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has opened up before the politics departments of various Indian universities for research? All along these departments appear to have concentrated on essentially political and juridical problems such as powers of the President of India, independence of the judiciary, rights of minorities and voting patterns at different elections. Important as these problems are, research in development administration is equally important, if not more, for unless there is supportive development administrative machinery in the country, our economic planning and programmes cannot be executed successfully. It is time the Indian universities turned their attention to this vital yet until now neglected sector of research.

Public Enterprises

For some time past their is mounting and scathing criticism against the working of public enterprises in India. While criticism is welcome, very often much of this criticism is uninformed or misformed. *Pricing and Investment in Public Enterprises* contains papers and discussion of the all-India seminars conducted by the Institute of the Public Enterprises at Bangalore in September 1969 and at Delhi in January 1970. The papers and proceedings at the seminars throw much light on such important aspects of public enterprise as accumulated deficits, debt-equity ratio, determination of enterprise-wise pricing policies, the landed cost basis of pricing, concept of public enterprise commission, township outlays and investment and capitalisation. In order that one understands the working of public enterprises in India better and makes one's criticism well-founded, knowledge of the above aspects of public enterprise is absolutely essential.

It would be instructive to know what some of the academicians and executives who took part in the seminar had to say on some of the important aspects referred to above.

According to most of the participants accumulated deficits of public enterprises in India are due to factors such as formal or informal regulation of prices of products of these public enterprises by the government in the interest of the economy in general, under-utilisation of capacities, social costs such as on townships, operational and managerial inadequacies, external factors such as labour troubles, surplus manpower and accounting practices leading to excessive provisions for depreciation. The most important cause of such deficits however is the pricing policy. From this analysis the remedial measures for accumulated deficits suggest themselves. While the seminar did not produce unanimity, the achievement of the seminar lay in classifying the various causes of deficits and suggesting remedies appropriate to particular causes or situations.

As regards debt-equity ratio, the seminar veered towards the view that no rigid and uniform formula could be applied to all the public sector enterprises. The ratio has to be determined for each enterprise on the basis of its estimated cash flow over several successive years of operations.

On the questions of whether the fixations of surplus targets for individual enterprises was desirable, the consensus clearly appeared to be in the affirmative. It was also the general consensus at the seminar that the landed cost basis could only serve as an indicator for the preliminary assessment of price. The discussion seemed to converge on the opinion that the standard cost under conditions of reasonable efficiency would be a better basis of fixing price in every case. It was thought that losses arising out of the existence of excess capacity and due to mistakes of past decisions by external authorities should be shown separately and such accumualted financial burdens should be covered from a direct subsidy from the government. As regards inter-enterprise pricing, three conclusions which emerged were that inter-enterprise pricing at present was *ad hoc* and therefore unsatisfactory, that this problem has some implications of great relevance to the general economy of the country and that some 'outside' help was desirable in this field.

expert commission

There was a proposal at the seminar for the establishment of the public enterprise commission among other things for determination of surplus targets of individual public enterprises, for computation of social returns, enunciation of surplus-price linkage and periodical review thereof, provision of guidelines for the determination of inter-enterprise pricing, review regarding the extent of fulfilment of social objectives and for serving as an expert body for reference by the government of major policies. The consensus at the seminar in this respect appeared to be in favour of establishing an expert public enterprise commission. But the seminar also emphasised the need to preserve enterprise autonomy and purely recommendatory status for the commission. It was generally felt that such a commission would succeed in establishing a system in public enterprise financial decisions in the place of the present *ad hocism*.

There is no doubt that this book will enable readers to analyse more critically the performance and problems of public enterprises in India, constraints operating on their working and their strengths and weaknesses and assess realistically their role in transforming the Indian economy.

Monetary Theory

The first edition of *Monetary Theory* was reviewed in these columns some time in 1970 and the fact that the book has gone into the second edition shows that it has become quite popular with the student world.

The book has been divided into five parts. The first part deals with money concept and diffierent theories of money, classical and modern. The second part of the book is concerned with some aspects of commercial and central banking and their role in modern monetary analysis. The third part deals with the Keynesian ideas of income and employment. The fourth part contains the analysis of economic fluctuations and different theories of trade cycles. Most of the countries may not have had since 1939 trade cyclical fluctuations of the traditional type and yet we are experiencing economic fluctuation in the shape of inflation and recession which are analysed in great detail in this part. The fifth and the final part deals with some important aspects of international monetary mechanism and policy. The author has done well to deal in this part with the problem of international liquidity. With increasing volume of international trade, the problem of international liquidity has assumed great significance. International currency arrangement is in the doldrums at present and the IMS standard is for all practical purposes dead as many important currencies are allowed to float. Analysis in this part therefore assumes great significance.

In the second edition the author has done well to include the analysis of a number of topics not included in the first edition such as the Chicago version of the quantity theory of money, monetary rule versus discretionary monetary policy, money demand function and money supply function, Duesenberry's relative income hypothesis of consumption function, Milton Friedman's permanent income hypothesis of consumption function and the problem of international liquidity. These additions have made the book more uptodate and comprehensive and hence useful to even the post-graduate students

of the Indian universities. The book is the most comprehensive among books on monetary economics written by indian authors.

BOOKS RECEIVED

Problems of Unemployment in India: Edited by Mansur Hoda; Allied Publishers Private Ltd, 15 Graham Road, Ballard Estate, Bombay 400 001; Pp. 89; Price Rs 25.

Life and Culture of the Indian People (A Historical Survey): K. A. Nilakanta Sastri and G. Srinivasachari; Allied Publishers; Pp. 284; Price Rs 30.

A Diplomat Speaks: K.P.S. Menon; Allied Publishers; Pp. 140; Price Rs 15.

RBI Directions and Company Deposits: Published by B. Rangaswamy for the Reserve Bank of India; Pp. 23; Price Rs 1.25.

History and Social Development-Vol. I: Elites in Modern India: B.M. Bhatia; Vikas Publishing House Private Ltd, 5 Daryaganj, Ansari Road, Delhi 110 006; Pp. 384; Price; 45.

Directory of Indian Publishers: Editor Dinkar Trivedi; Published by Federation of Publishers and Booksellers Association in India, A-84 A, N.D.S.E. 11, New Delhi-49; Distributors: The New Order Book Co, Ellis Bridge, Ahmedabad 380 006; Pp. 591; Price Rs 50.

Agricultural Administration and Institutions: Guy Hunter; The Food Research Institute, Stanford University, California, USA; Price $1.00.

Handbook of Statistics 1973: Published by Association of Indian Engineering Industry, India Exhange, 4 India Exchange Place, Calcutta 700 001; Pp 395; Price Rs 19, Postage Rs 3.75 extra, wherever applicable.

Reflections on the Growth Process in the Indian Economs: S. Chakravarty; Administrative Staff College of India Bella Vista, Hyderabad-500 004; Pp 38; Price Rs 3.

Liberty and the Rule of Law: A Collection of articles; Published by T. Sadasivam for Bharathan Publications Private Ltd. Kalki Buildings, Chetput, Madras 600 031; Pp. 93; Price Rs 2.50.

Higher Education in India: A Collection of articles; Published by T. Sadasivam for Bharathan Publications Private Ltd; Pp. 104; Price Rs 2.50.

F.A.I. Symposium on Coal as Feedstock for Fertiliser Production — Proceedings: Published by the Fertiliser Association of India, Near Jawaharlal Nehru University, New Delhi-110 057; Price Rs 20.

Agriculture in the Colombo Plan Region: Published by the Information Department of the Colombo Plan Bureau, Colombo 4, Sri Lanka; Pp. 48.

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TRADE WINDS

Japanese Assistance

AN AGREEMENT was signed in Tokyo recently between the government of India and the Export Import Bank of Japan for a loan of Yen 11 billion (Rs 29.81 crores). The agreement was signed by Mr S.T. Than, Ambassador of India to Japan and Mr Satoshi Sumita, President of the Export Import Bank of Japan. This loan agreement is consequential to the exchange of notes that took place in New Delhi between the governments of India and Japan early this year and is part of the Yen Credit of Yen 33 billion (Rs 89.43 crores) pledged by Japan as their Consortium Aid to India for the year 1973-1974. The loan agreements for the other two segments, namely, Debt Relief of Yen 14977.91 million (Rs 40.59 crores) and Commodity Aid of Yen 7022 million (Rs 19.03 crores) were signed on January 30 and April 19, 1974 respectively.

This loan of Yen 11 billion (Rs 29.81 crores) will cover payments to be made in Yen to Japanese engineering contractors and equipment supply of Japanese goods and services required for the setting up of a fuel oil-based fertiliser project at Bhatinda in the public sector. After its commissioning sometime in the latter half of 1977, this project is expected to produce about 500,000 tonnes of urea per year. The terms of the loan are: repayment over a period of 25 years inclusive of a grace period of seven years and interest at the rate of 4.0 per cent per annum. With the conclusion of the present loan agreement, the loans extended by the Export Import Bank of Japan to India since 1958 aggregate to a total of Yen 308.9 billion (Rs 837.12 crores).

India-Canada Cooperation

At the India Canada talks held in Ottawa from July 29 to July 31, the Indian delegation was led by Mr Kewal Singh, Foreign Secretary, ministry of External Affairs. In addition to having discussions with Mr A.E. Ritchie, Under Secretary of State for External Affairs, Mr Kewal Singh had meetings with Prime Minister Trudeau, Secretary of State for External Affairs Mr Mitchell Sharp and minister of Industry, Trade and Commerce, Mr Alastair Gillespie. While there was useful discussion of India's economic development priorities and their response to the formidable problems created by the world-wide rise in prices of energy, fertiliser and food, the discussions centred mainly on nuclear cooperation arrangements and the different attitude of the two governments towards the use of nuclear explosions for peaceful purposes.

Production for Prosperity

Addressing the annual general meeting of the Jamshedpur Chamber of Commerce recently, Mr K.K. Birla, President of the Federation of Indian Chambers of Commerce and Industry stated that increased production alone would solve the current economic ills and that there was no short-cut to prosperity. He referred to the vision and the pioneering spirit of Sir Jamshedji Tata who was the first to set up steel industry in India in the year 1912 and paid glowing tributes to his foresight that produced remarkable results against heavy odds.

Turning to the present economic situation and the general unrest prevailing in the country, Mr Birla pointed out how in the last two years prices rose by 47 per cent, money supply by 30 per cent, while industrial production went up by only four per cent. In the past 17 years, the per capita availability of foodgrains, edible oils and cotton cloth declined considerably which led to sharp increase in the price levels. Added to this, the international oil crisis inflicted a severe dent on our economy upsetting the favourable foreign exchange position. Viewed from any angle—increasing the employment potential, improving the foreign exchange position, containing inflation and raising the standard of living—he was emphatic that production was the only answer.

Cement Prices

The union government has announced an increase of Rs 21 a tonne—from Rs 110 to Rs 131—in the ex-works price of cement. The increased price will be in force till March 31, 1979 subject to escalation on various grounds. The average consumer will now have to pay Rs 21 more per tonne plus the five per cent increase in basic central excise announced by the Finance minister recently, together with any consequential increases in sales tax. The increased price is exclusive of the selling expenses fixed by the government at Rs 3 a tonne including the present selling agency commission of Rs 1.25 a tonne. The commission had recommended ex-works retention price for all existing units at Rs 136 a tonne. The decision of the government was announced by the Industrial Development minister Mr C. Subramaniam in the Lok Sabha recently. The decision was based on the recommendations of the Tariff Commission on the cement industry.

Curbs on Use of Paper

The ministry of Industrial Development has announced new regulations governing th use of paper for non-essentia purposes in view of the pape shortage in the country. I a notification, the ministr banned the use of pape exceeding 3,900 sq. cm. fo printing and advertisemer or propaganda material of an kind in sheet diaries exceedin 63,000 square centimeters o total surface area of all th pages. The ban also appli to printing of calendars on a paper, imitation art paper c chrome paper with surface are of one side of a sheet, or whe there are more than one shee exceeding 2,000 sq. cm. In th case of calendars printed o any other paper, the ceilin will be 8,700 sq. cm. The ba also covers printing of balanc sheets, house magazines, leafle or letter heads on art pape imitation art paper or chrom paper, except those containi diagramatic presentation. Inv tation or greeting cards exceed ing 500 sq. cm. have also bee banned.

Import of Foodgrains

The union government ha already contracted for th import of 1.8 million tonne of foodgrains so far during th current financial year at a co of about Rs 200 crores exclu sive of frieght. The freigh charges would vary betwee $40 and $50 per tonne, Secre tary for Economic Affairs Mr M.G. Kaul stated recently The foodgrains contracte last year, including the tw million tonne wheat loan fron the Soviet Union, had alread arrived and there was no spill over from last year's imports t this year. The foreign exchang expenditure on the import o fertiliser would be over Rs 45 crores and raw materials fo fertilisers would cost anothe Rs 120 crores.

Increased Alcohol Production

The minister of state fo Petroleum & Chemicals, M Shah Nawaz Khan recentl exhorted manufacturers t maximise production of alcoh for industrial use to meet th increasing requirements such industries as synthet

rub polyethylene and acetate rayon. The minister inaugurating the annual general meeting of the All India Distillers Association in New Delhi stated that it was necessary to augment production of alcohol for industrial purposes in view of restricted availability of petroleum products following steep increases in the prices of crude in international market. He asked the industry to ensure fuller utilisation of all molasses produced in the country by arranging better storage and transporation facilities. Due to inadequate storage and transporation facilities, distilleries were not working to full capacity, he added. The minister also impressed upon the distillers to increase production through technological improvements and by using other raw-materials for alcohol production.

As regards the present price of alcohol which was considered unremunerative by industry, the minister pointed out that an interim report of the Tariff Commission had been recived on the subject and was under consideration. Mr Shah Nawaz Khan sought the assistance of the industry in conserving valuable foreign exchange by affecting economy in the consumption of furnace oil by switching over to coal as an alternate source of energy.

Tariff Value of Sugar

The union government has increased the tariff value of free sale sugar with effect from August 1, 1974, from Rs 285 to Rs 290 per quintal.

Reduced Foreign Capital

Finance minster Mr Y. B. Chavan stated recently that foreign investments made in the private sector in the country shrunk by one third from Rs 16.2 crores in 1970-71 to Rs 10.7 crores in 1971-72. Figures for 1972-73 were not yet available. He added that the government would like foreign capital to function as a vehicle for the transfer of such technology as could not be secured by outright purchase by way of limited duration royalty agreement. He said the shortfall in 1971-72 was due to the foreign investment being highly selective. The World Bank had advaced loans amounting to Rs 738.8 crores towards both the public and private sector. These loans carry interest in the range of 3-1/4 per cent and are payable over a period ranging from seven to 30 years, he added. Interest on these loans would come to about Rs 19 crores annually.

Interest on World Bank Loans

The interest rate of new loans from the World Bank will be increased to eight per cent to offset the rising cost of of bank borrowings. The previous interest rate was 7.25 per cent. The board also stated that it will recommend transfer of $100 million from the bank to the International Development Association (IDA), a bank affiliate that grants low-interest loans to needy nations. The World Bank which grants loans to member nations, lent $3,200 million in the fiscal year 1974 while the IDA made loans of nearly $1,100 million. Bank President Mr Robert McNamara, proposed sharp increase in bank lending during the next four years—$22,000 million compared with $14,000 million under the current plan. Mr McNamara is known to believe that the increased lending is needed to help meet the needs of poor countries arising from the sharp increases in the cost of world oil.

Indo-German Collaborations

This country led all other in the number of industrial collaborations with West German companies in 1973. This was pointed out by members of the Indo-German Chamber of Commerce delegation which recently visited West Germany. Addressing a press conference in Bombay, they said, West German companies are interested in collaborations with India despite doubts about the attitude of the Indian government towards foreign investment. The delegation met more than 300 German industrialists, bankers, representatives of business organisations and government officials. Many of the companies with whom the delegation had discussions offer highly sophisticated technology. Some of these companies also offer interesting projects for conversion deals, especially in electronics. The advantage India offers to them is the relatively cheap and skilled labour available in this country.

Many of the trading companies which met the delegation were interested in imports, mainly in textiles, but also in a whole variety of traditional and non-traditional items like bicycle parts, hand tools, iron and steel items, electronic parts, granite, mica oilseeds, household and kitchen articles, carpets and decoration articles. The Indo-German Chamber of Comerce has also been receiving enquiries from W. German companies for supplying Indian goods to third countries, e.g. Indian stoves and burners for South America, sugar for Iran and garden chairs for Israel.

UK Subsidy for Tea

A subsidy of £15 million for tea, Britain's national drink and India's biggest export to the UK, is the Labour government's latest measure to keep prices of essential items down, would not apply to expensive brands but would reduce prices of popular brands. Tea is a sizable item of expenditure on food for lower income families and enters into the price index. The price of tea has been rising in the last one year both because of increasing demand in producing and consuming countries and also because of shortages.

Tea Exports

The commerce ministry hopes to earn is Rs 232 crores from tea exports in 1974-75, Rs 100-crores more than last year. However, the quantity of tea exports is expected to be lower, 217 million kgs. against 232.5 million kgs. last year. There are proposals to activise the Tea Trading Corporation of India's sale of packaged tea blended in India and sold directly to consumers over the world and to abolish the auction system. Government officials and tea producers agree that price rigging by multinational companies is affecting sales of Indian tea but they have not been able to find a way out. Small-scale producers have discovered that the present auction system does not help them to get a fair price.

Cologne Fair

The Indian clothing industry will be represented by 33 exhibitors in this year's International Men's Fashion Week, to be held in Cologne in the last week of August, thus forming one of the largest groups of foreign exhibitors. During the last few years, Indian participation in this Fair increased considerably. In 1972 the number of Indian exhibitors was 17, and their number rose to 27 in 1973. Indian men's clothing is enjoying increasing popularity in the west European countries.

Training for Drought Prone Areas

The first training programme for the chief functionaries of Drought Prone Areas Programme (DPAP) is being organised at Hyderabad. Mr B.P. Maurya, union minister of state for Agriculture, inaugurated the ten-day programme, on August 1, 1974. The Drought Prone Areas Programme which is in operation in 72 districts in 13 states covers 12 per cent of the population of the country. The programme aims at the integrated agricultural development of the drought prone areas by effective and optimum utilisation of the land and water resources. For the effective implementation of the programme and for better coordination between various departments, it is proposed to set up a DPAP agency in each of the districts. This agency will be a society registered under the Registra-

tion of Societies Act under the chairmanship of the collector of the district. Other district level officers who will be the members of the society will have a full-time project director and supporting staff.

The training programme is being organised at four levels, viz. (1) collectors who are chairman of the agencies, (2) project directors. (3) district level officers and (4) below district level officers right upto the village level.

World Housing Meet

Thirteen countries including India will participate in a major International Housing and Planning Congress which will be held at Manila from December 1 to 7, Phillippines Institute of Environmental Planners president, Mr Cesar Concio stated recently. He added that the Eastern Regional Organisation for Planning and Housing (EAROPH), which was last held in Seoul, was jointly sponsored by the government's task force on human settlement and the privately owned Institute of Environmental Planners.

Agreement for Population Control

A five-year agreement involving a grant of $40 million by the United Nations Fund for Population Activities to assist India's efforts to regulate population growth was signed recently. Mr C.S. Ramachandran, secretary, ministry of Health and Family Planning, signed on behalf of India and Mr Rafael M. Salas, executive director, on behalf of the UNFPA. After signing the agreement, Mr Salas said that the grant was the biggest contribution which the UNFPA had ever given to any single country.

The UNFPA grant in the form of equipment, technical and expert services and programme support is designed to assist the government achieve its desired goal of reducing birth rate to 30 per thousand population and raising the number of couples protected against conception from 16 million at present to 40 million by the end of the fifth Plan. The UNFPA assistance will be utilised by the government for an integrated programme of family planning and health services including equipment for expansion of sterilisation services, medical termination of pregnancy, family welfare counselling services in selected hospitals, training of multipurpose workers and procurement of condoms and expansion of capacity for manufacturing condoms and establishment of facilities for production of oral contraceptives if and when the demand should warrant it.

Inland Waterways Scheme

The union government has accepted in principle the recommendations of the Bhagavati Committee that certain important waterways should be considered for being declared as national waterways. A committee was appointed to consider this question further and to recommend the perimeters within which a statute for inland waterways should be drafted. The committee was also asked to study Ganga-Bhagirathi-Hooghly rivers and recommend whether they should be declared as national waterways. The report of the committee was received recently and has been circulated to all state governments and other authorities concerned for their comments.

Inland water transport is a state subject and state governments are primarily concerned with its improvement and development. However, central government gives 100 per cent loan assistance to the state governments for execution of well-defined and selected schemes. The important schemes so far sanctioned are extension of navigation canals, development and improvement of existing canals in different states, construction of locks, wharves, jetties, provision of landing facilities, acquisition of dredgers for dredging the waterways, purchase of survey launches, tugs and barges, taking up pilot projects in different waterways for running river services, provision of terminal facilities at different ghats, acquision of passenger, cargo, and ferry vessels, techno-economic survey of the waterways, etc. In addition, under the central schemes construction of inland ports at Pandu and Jogighopa, acquisition of tugs and barges and dredgers for operating river services on the Ganga, development of Rajabagan dockyard and Kulpi workshop of Central Inland Water Transport Corporation Ltd., resumption of river services between Calcutta and Assam, higher training scheme at Calcutta, etc. have also been taken up. As a result of this, there has been a general improvement in the transport of passengers and goods by waterways at different ports of the country.

In the fifth five year Plan, a provision of Rs 40 crores (Rs 26 crores for central schemes and Rs 14 crores as loan assistance to the state governments) has been made for development of inland water transport. The provision includes augmentation of fleet of Central Inland Water Transport Corporation Ltd., modernisation of Rajabagan dockyard, running of river services on the Ganga, development and improvement of important waterways including ancillary facilities in the different states, scheme for providing loan assistance to private entrepreneurs for acquisition and modernisation of vessels.

Increased Leather Exports

The State Trading Corporation is formulating a comprehensive plan for the standardisation of designs for promoting exports of footwear and leatherware. It is also proposed to underwrite production of tanneries so that they are in a position to use material of standard quality. Besides, small laboratories may be set up at selected centres. All these measures are necessary to create the required infrastructure for the production of quality leather products for export. It is planned to export footwear and leather products of the order of Rs 151 crores which would include semi-processed leather canalised through the corporation. So far contracts worth Rs 88 crores have been concluded by the STC with a number of countries including the US, the USSR, the UK, Australia, and Bulgaria.

Fertilisers from N. Korea

This country is to import 20,000 tonnes of fertilisers this year from the Democratic Peoples Republic of Korea (DPRK), according to the DPRK Ambassador, Mr Kim Hai Yug. The Ambassador stated recently that trade between India and his country was now going up. The trade turnover between the two countries during 1973 either way was Rs 30 crores.

HUDCO

The Housing and Urban Development Corporation (HUDCO) has sanctioned five new housing schemes in three states involving a loan commitment of Rs 3.35 crores. The states are: Maharashtra, Rajasthan and Tamil Nadu. Under these schemes nearly 2000 flats and houses are to constructed in Ajmer, Akola, Madras and Nagpur. About 78 per cent of these flats will be allotted to economically weaker sections and to persons belonging to low income groups. The loans are to be given to the various housing boards of the states concerned and will bear a subsidized rate of interest at 6½ per cent. The loans will be repayable within a period ranging from 17 to 20 years.

Names in the News

Dr M.S. Randhwa vice-chancellor of the Punjab Agricultural University, has been appointed chairman of the committee of experts to advise the Indian Council of Agricultural Research on Publicity and Sales Promotion Affairs connected with the scientific literature for dissemination of research results in the field of agricultural and animal husbandry.

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COMPANY AFFAIRS

the Doldrums

IE TAXATION proposals an-unced by the central Finance nister on July 31 fortunately l not aggravate the bearish tlook for share prices. This is because both personal in-mes and corporate earnings re spared new fiscal burdens. uite a few of the central ex-e duties, however, could sily add to industrial costs ile the levy on the gross inte-st income of commercial nks, the incidence of which is to be passed on to the rrowers, could obviously do thing to help matters in the oney market squeezed bet-een the stringency of credit the one hand and the inte-st rates on the other. It was so being increasingly noted the days following the second nance Bill that the govern-ent was yet to announce any sitive measures for increas-g production in the immedi-e future or even in the long n. In the absence of indica-ns of a production-cum-in-stment oriented policy or ckage of measures, the gene-l public as well as the aca-mic circles and the business mmunity were beginning to ubt that inflation would at l be effectively contained. urther cause for doubt and ssatisfaction was also pro-ded by the delay on the part the government in deciding or implementing sufficiently rastic economies in admini-rative or public expendi-re generally.

Meanwhile there was little o report in the capital market xcept the continuous swish f dividends being slashed in ccordance with the dividend straint ordinance. The Na-onal Forum of Shareholders, oting the consequential ad-erse impact especially on small nareholders, has sent a memo-randum to the prime minister urging her to amend the provisions of the ordinance suitably. The Forum's three suggestions are to the following effect:—

(1) Each company which has made sufficient profits should at least be allowed to declare a minimum amount of dividend which may not exceed 10 per cent for a period of two years.

(2) The excess of dividend recommended for declaration over the said 10 per cent be kept with the companies concerned to the credit of the respective shareholders carrying an interest of 15 per cent to match the bank rate.

(3) The amounts so left with the company management should be used only for productive purposes.

The Unit Trust of India announced that its sale price of Units valid for August 1 had been raised by five paise to Rs 10.35 per Unit. It also resumed repurchase of Units which had remained suspended during the month of July and fixed the repurchase price at Rs 10.05 per Unit valid for August 1. At the time of writing (August 5) these prices have remained unchanged. While the increase in the rates of interest on term deposits with commercial banks should dilute to some extent the interest of small and medium savers in Units, it should be possible for the management of the Unit Trust to restore confidence in the attractiveness of Units provided it plays its cards well. Given the buoyancy of interest rates in the short-term money market, it should not be difficult for the Unit Trust to invest its funds in such a manner that its earnings are benefited substantially. In this way the loss in dividend income inflicted temporarily by the dividend restraint ordinance could perhaps be made up. The chairman of the Unit Trust revealed recently that there was at first a proposal to declare a dividend of 8.75 per cent for the year ended June 30, 1974 but it was finally decided to declare a dividend of 8.5 per cent only. Perhaps investor sentiment could have been better taken care of following the dividend restraint ordinance had there been no second thoughts on the rate of the dividend. Quite clearly it would not have been impossible for the chairman to give an assurance that the dividend could be maintained even at a level of 8.75 per cent.

ITC Ltd

At the extraordinary general meeting held on March 14, 1974 a resolution was passed unanimously to change the name of the company from India Tobacco Company Ltd to ITC Ltd. This heralds more than just a name change, for the change itself represents the culmination of several year of conscious identification of company objectives with national aspirations and the pledge to continue to reinforce this identification further in the months and years to come. With the continued development and accellerated progress of its activities, the Board felt that the name of the company should no longer be merely associated with tobacco. Although cigarette and tobacco business will remain the company's primary interest in the foreseeable future, the company is seeking to spearhead progress through growth from within, with accent on vital new priorities. Hence ITC Ltd from April 1, 1974. This is highlighted in the Chairman, Mr A. N Haksar's annual statement circulated to the shareholders of the company.

During 1973-74 the company has made considerable progress in the execution of its hotels project. The hotel Chola in Madras will be fully on stream by the end of 1974. Suitable sites have been located at Agra and Delhi where work is scheduled to commence later this year. This project is expected to earn foreign exchange to the tune of Rs 3 crores annually when in full operation. The marine products business turned in another year of increased turnover, having exported a wider range of frozen and canned products, principally to the USA and Japan. The stage is now set for independent trawling operations and the setting up of shore establishments to process the catch. These establishments are proposed to be located in backward areas. Exports of other non-traditional goods of a wider range and to diverse customers in international markets have also been achieved. Products include wrapping and packaging materials, myrobalan, chemicals and allied products, engineering goods and leather products in addition to cigarettes. Emboldened by its success the company has opened an export office in New York. With the transformation of the company from a unified traditional tobacco business to one of multi-product and multi-activity operation it has become essential to reorganise the company internally. To this end the board has decided to divisionalise the company's operations whereby each business is identified and is allowed to function as an independent division. Moreover the company has received the sanction of the government to offer for sale a part of the non-resident shareholders' equity shareholding to Indian nationals which when completed will have the effect of increasing Indian participation to the extent of 40 per cent. Other specific proposals are before the government which when implemented will reduce foreign shareholding

to under 40 per cent in the foreseeable future.

The company recorded an impressive growth of over 20 per cent in corporate turnover in 1973-74 out of which the traditional business accounted for Rs 43 crores. However over three-fourths of the incremental turnover has accrued to the government in increased collections of excise duties—a total additional revenue of Rs 37 crores in one year, a level of marginal collection which the ITC took three years in the immediate past to achieve. This grinding pace of resource mobilisation from the company and most others in the cigarette industry, Mr Haksar said, has very serious implications because the strategy of revenue maximisation by the government invariably relies on frequent and stiff escalation of cigarette excise duty rates without any apparent concern for the buoyancy of the taxable value base which in turn is wholly dependent upon volume expansion.

As there is unlimited scope for the volume of expansion of per capita consumption, Mr Haksar also pleaded for the adoption of a growth-oriented taxation policy to replace the existing excise structure to unleash the forces of demand followed by production for which considerable unutilised capacity currently exists and all inputs are indigenously available. Hence there is an urgent need for a reassessment of the Indian cigarette consumer in order to determine the structure of demand and also a totally rational cigarette excise system which would take into account the current realities of costs of production. In this connection Mr Haksar has put forward two suggestions. Immediate steps, the chairman said, should be taken to fix a more pragmatic ceiling of combined duties at say 200 per cent ad valorem in place of the present 320 per cent. The latter will have the effect of extracting from the consumer a punitive premium of Rs 4.20 in extra price to enable the manufacturer to compensate one rupee of inflation. According to the chairman's second proposal the automotic buoyancy in revenue at current rates afforded by significant increases in unit taxable values following the expected spurt in unit product cost in 1974-75 should be borne in mind by the authorities when next contemplating tariff revisions.

Hindustan Lever

Hindustan Lever has reported a sharp setback in its working during the first half of 1974. Although the turnover was a shade higher at Rs 71.93 crores as compared to Rs 70.62 crores in the corresponding period of last year, the pre-tax profit recorded a steep decline to Rs 1.82 crores from Rs 3.82 crores in the similar period of 1973. The profit after tax too was substantially lower at Rs 77 lakhs during the period under review as compared to Rs 1.38 crores in the same period, of the preceding year.

Rohit Paper

Despite dividend ordina Rohit Pulp and Paper M has not only maintained equity dividend at 12 per c for the year ended March 1974, but also has announ a one-for-one bonus issue. T company has turned out enc raging working results dur the year. Its turn over dur the year improved from Rs lakhs to Rs 260 lakhs while g profit increased by as much 86.5 per cent from Rs 23 lakhs to Rs 43.27 lakhs. T proposed bonus issue will volve capitalisation of reser to the tune of Rs 30 lakhs. T recommended dividend will sorb Rs 3.60 lakhs.

Syndicate Bank

Syndicate Bank has ma spectacular progress dur the five years after nationa sation. The Bank has embar on an intensive campaign a special nature to mobi small savings, from July 1974, in commemoration

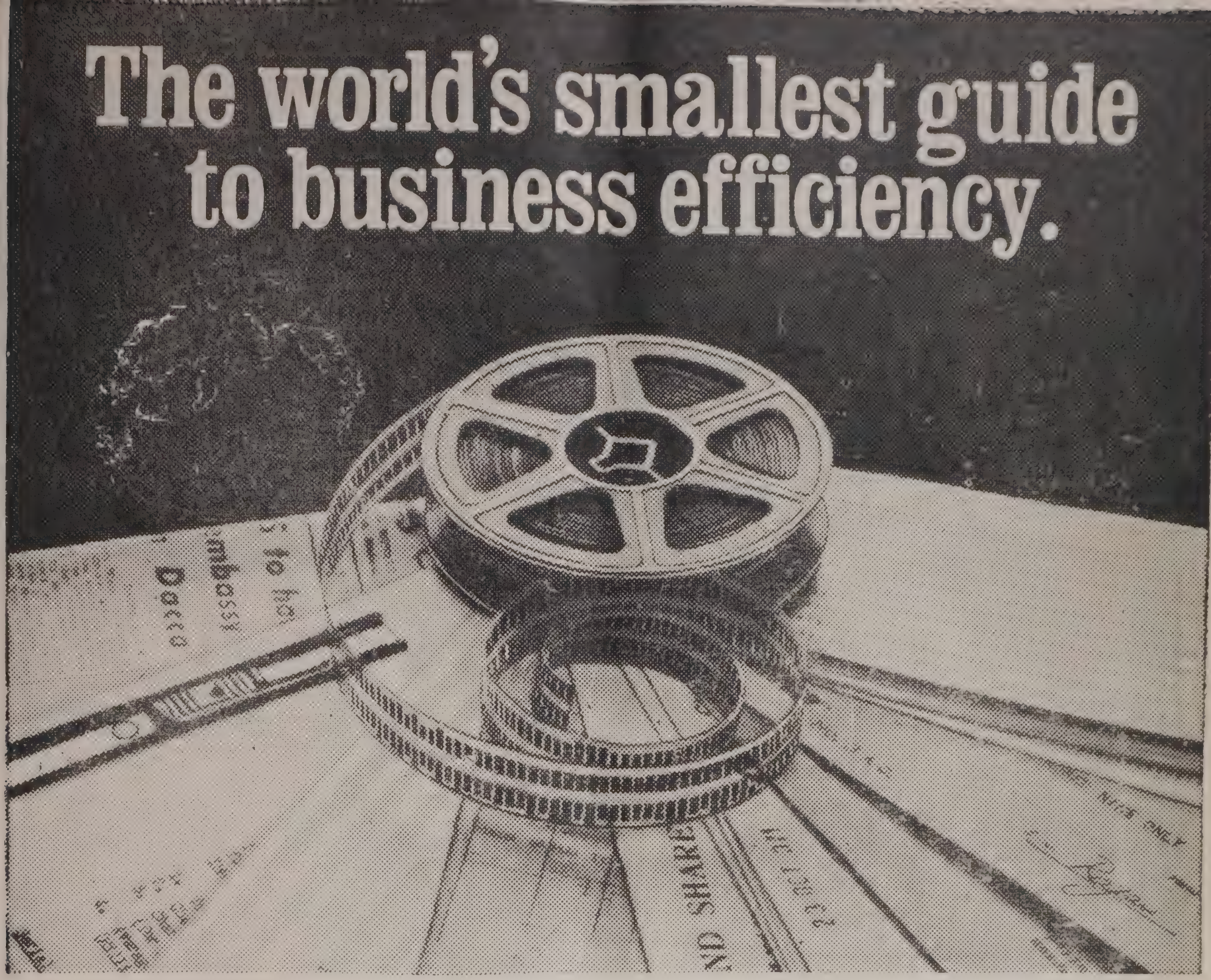
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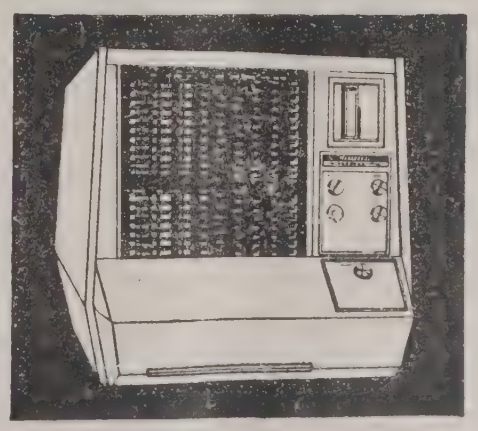


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Century Rayon

AN EXAMPLE OF SOCIAL RESPONSIBILITY

Century Rayon sets an example to other large corporations by its policy of synthesising service to the community, fulfilment of its obligationsto the employees, the customers and the shareholders. And yet, you will be surprised, it is making the highest contribution to the national exchequer by way of tax payments as well as foreign exchange savings and earnings.

In spite of runaway inflation in the cost of raw materials and other inputs such as labour, spares, fuel and water, Century Rayon sets another example by holding the priceline for its products.

PROFESSIONAL MANAGEMENT:

Besides the philosophy, the secret lies in its professional management. Maximum decentralisation and delegation of authority and responsibility, has built an outstanding team of managers and workers, with a completely autonomous decision making process in each of its segments.

ASSISTING AUXILIARY AND ANCILLARY INDUSTRIES:

Century Rayon believes in supporting a number of small entrepreneurs. Rightly so. And it has become a benign big brother to a number of auxiliary and ancillary industries. It is helping them in three segments, viz. a) the small scale suppliers; b) the small processors who use Century's bye-products and waste products; c) a large nation-wide community of small weavers dependent on Century's supply of yarn. Century Rayon is helping them in three ways—
a) by providing finance;
b) by giving technical assistance; c) by helping them in marketing.

THE NATIONAL EXCHEQUER:

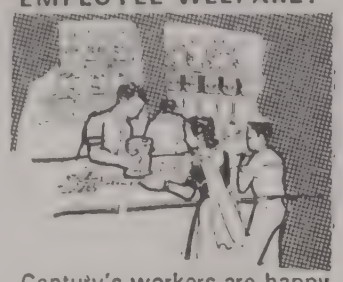
How much do you think Century Rayon is paying by way of taxes? To the tune of Rs. 8 crores in excise duty and other levies, over and above the income tax paid by the parent company, Century Spinning & Manufacturing Co. Ltd., to the extent of Rs. 7 crores per year.

EXPORTS.

Why is it that the Century Rayon Tyrecord is equal to the world's best?

The testimony is constantly rising exports to sophisticated international markets.
The total foreign exchange earning including Rayon Fabrics & Chemicals so far exceeds Rs. 5 crores.

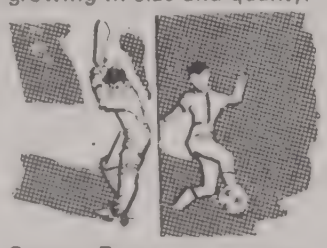
EMPLOYEE WELFARE:



Century's workers are happy because of one of the finest housing colonies provided to them, along with a club house, a cooperative bazar and a credit society.
They enjoy the best educational facilities for their children, consisting of primary and secondary schools and a college for Arts, Science and Commerce. Its medical care is unique, with a full fledged 50 bed hospital, and free medicine.



Recreation, too, is dear to its heart. Vast playgrounds, beautiful swimming pools and gardens, a large library, its own network of roads and water works and, to top it all, one of the finest temples in a sublime atmosphere-all these amenities constantly growing in size and quality.



Century Rayon encourages sports both for the amateur and the seasoned sportsman. Century's sports teams have been winning many a laurel on the playgrounds.

CREATING EMPLOYMENT:

In today's context, Century Rayon's contribution is significant, by providing employment to over 6,000 workers directly, and supporting an entire township dependent on it.

INDUSTRIAL RELATIONS:

What would you say for a record of more than sixteen years of uninterrupted production, without losing a single manhour due to strike or strife? Relations with the employees are exemplary because of a direct, frank and honest rapport with them across the table, without external intervention.

COMMUNITY SERVICE.



In times of calamities like earthquakes, wars, droughts and floods, Century Rayon has sprung to the call of duty voluntarily extending not only financial help but also providing volunteers and other relief measures.

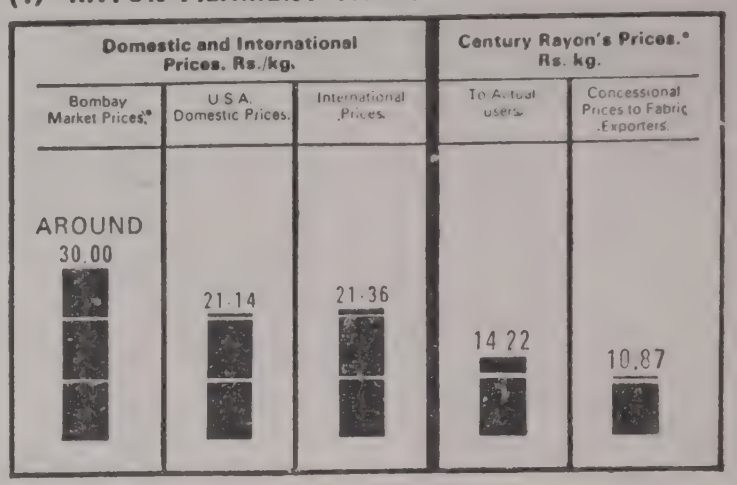
RESEARCH AND DEVELOPMENT.



Well equipped laboratories and a team of dedicated scientists and technicians ensure the position of leadership for Century Rayon—be it the finest rayon filament yarn or the toughest, improved rayon tyre cord.

HOLDING THE PRICE-LINE AND ENSURING FAIR DISTRIBUTION.

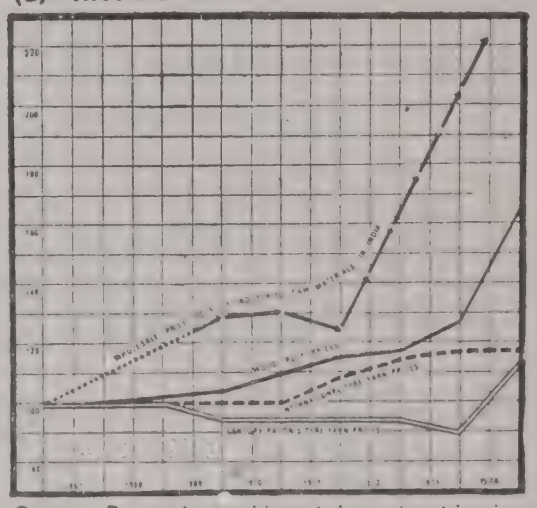
(1) RAYON FILAMENT YARN.



Exclusive of Excise duty

Very rigidly adhering to the Voluntary agreement between Viscose Rayon Spinners and Weavers, Century Rayon is selling approximately 60% of its production directly to Actual Users at the low price of Rs. 14.22 per kg. and an additional 20% directly to exporters of Rayon Fabrics, at a substantially low price of Rs. 10.87 per kg.

(2) RAYON TYRE CORD.



Century Rayon has achieved the twin objectives of maintaining the price of Tyre Cord below the international level and supplying directly to Actual Users.

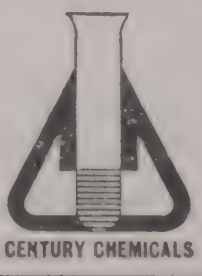
CAUSTIC SODA.

To meet the needs of genuine users in the present acute shortage conditions, Century Chemicals is following a policy of supplying the entire production to Actual Users on the basis of past offtake, at fair prices.



CENTURY RAYON

Industry House, 159, Churchgate Reclamation, Bombay 400 020.



CENTURY CHEMICALS

CONCEPT-CR-1503 R

the fifth anniversary of nationalisation. During the period from July 19, 1969 to June, 1974 the deposits increased by nearly three-fold from Rs 126.86 crores to Rs 334.57 crores. Advances rose by more than three times from Rs 90.36 crores to Rs 234.63 crores. The growth in deposit accounts as well as borrowing accounts too had been impressive and it revealed how the bank had been able to reach the largest number of small men.

The bank's deposit accounts increased from 13.28 lakhs to 37.92 lakhs while borrowing accounts went up from 2.62 lakhs to 7.24 lakhs. Nearly 98 per cent of deposit accounts had balances of less than Rs 5,000 while nearly 72 per cent of borrowing accounts were for amounts less than Rs 11,000 as on December 1973. What is more, the bank has extended is branches even to the remote islands of the Arabian Sea and Indian Ocean, entered three more union territories and five new states after nationalisation. The number of branches increased from 306 to 665, out of which 68 per cent are in rural and semi-urban areas. The bank in an attempt to fulfil the social objectives placed increased emphasis on priority sector advances. The advances to these sectors multiplied more than three times, increasing from Rs 34.18 crores to Rs 108.31 crores.

Mukand Iron

Despite shortages of raw materials, power and spiralling costs, Mukand Iron and Steel Works Ltd has fared extremely well during the year ended March 31, 1974. Its sales, including export incentives, were up by Rs 7.1 crores to Rs 32.4 crores while gross profit was substantially higher at Rs 4.35 crores as compared to Rs 3.99 crores. Out of the gross profit, the directors have appropriated a sum of Rs 86.49 lakhs to depreciation reserve as against Rs 78.12 lakhs in 1972-73 while the allocation to development rebate reserve was stepped by Rs 61 lakhs to Rs 70 lakhs. The debenture redemption reserve was earmarked with Rs 8 lakhs as against no allotment in the preceding year. No provision has been made for taxation as against Rs 145.00 lakhs allotted in the previous year. An amount of Rs 21,862 was set aside for meeting bad and doubtful debts as against Rs 55,304 in the earlier year. This leaves a surplus of Rs 254.15 lakhs and the entire amount has been transferred to the general reserve. The tax liability for 1973-74 is estimated at Rs 1.07 crores. The taxes when assessed will be debited to the general reserve. The directors have recommended a dividend of one rupee per share. It will absorb Rs 53.82 lakhs.

The production of steel bars and rods increased marginally during the year under review due to a shut down of one furnace for three months, the reduced availability of billets from main producers and the power shortage. The steel produced by electric arc furnaces was exempt from excise duty till the previous year. This was partially withdrawn during year and wholly withdrawn from March 1, 1974. The burden of excise duty thus worked out to Rs 87.50 and Rs 175 per tonne respectively during the year. When every possible incentive is needed to boost production the abolition of this exemption does not seem prudent at all. The steel foundry maintained its progress during the year. It is now possible for the foundry to produce castings weighing up to 30 tonnes as against 10 tonnes last year. Order position for the current year is quite comfortable. The foundry has an export order for the supply of 220 cast steel bogies from Malaysia valued at Rs 3.6 million. The machine building division has undertaken diversification of products and it is now equipped to manufacture complex industrial machinery from designs developed by its engineers. Over the last few years the company has assisted the establishment and growth of ancillary suppliers and has by now a family of 500 ancillary units, big and small, employing nearly 8,500 persons.

News and Notes

Surrindra Stein Malt has started commercial production after three-month trial runs ended June this year. It produced 200 tonnes of quality malt during this period. The plant is expected to achieve 80 percent efficiency by the end of this year despite raw material shortage and erratic power supply. In view of the fast expanding market for malt the mangement plans to take up the expansion scheme to double the production capacity of the plant after three years.

Kelvinator of India is issuing 490,000 equity shares of Rs 10 each for cash at per on right

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THE WESTERN INDIA MATCH CO. LTD.

NOTICE

General Notice is hereby given to members of the public under Rule 4A of The Monopolies and Restrictive Trade Practices Rules, 1970, that THE WESTERN INDIA MATCH CO. LTD. intends to make an application to the Central Government under Section 21 (i) of MRTP Act, 1969, for their proposal to diversify their business activities into shipping.

The proposed diversification will inter-alia, enable the Company to establish and operate shipping services and all ancillary services for conveyance of cargo and goods of all description as well as passengers and also act as owners and charterers of ships and all types of ocean going vessels.

Any person interested in the matter may, if he so desires, intimate to the Central Government in the Department of Company Affairs within 14 days from the date of publication of this notice, his views with regard to the proposal contained in the notice and also the nature of his interest therein.

KAMALJIT SINGH
Managing Director.

Indian Mercantile Chambers,
Nicol Rd., Ballard Estate,
Bombay 400 038.
25th July, 1974.

NOTICE

THE GWALIOR RAYON SILK MFG. (WVG.) CO. LIMITED

Registered Office

BIRLAGRAM, NAGDA (M.P.)

Notice is hereby given that the Registers of Members and Transfer Books of the Equity and Preference Shares Series 'A' & 'C' will remain closed from Saturday the 24th August, 1974 to Friday the 20th September, 1974 (both days inclusive) for the purposes as mentioned below:

A. Payment of dividend on 66,00,000 Equity Shares and 1,48,275 Preference Shares Series 'A' and 2,00,000 Preference Shares Series 'C' in the Company.

The dividend on Equity and Preference Shares Series 'A' & 'C' when sanctioned by the Shareholders will be made payable to those shareholders, whose names stand on the Registers of Members of the Company as on 20th September, 1974 as under:—

(i) Dividend on Preference Shares Series 'A' & 'C' on or after 25th September, 1974.

(ii) Dividend on Equity Shares on or after 30th September, 1974.

B. Allotment of 39,60,000 Bonus Equity Shares of Rs. 10/- each in the ratio of Three such fully paid Bonus Equity shares for every Five existing Equity Shares held by the Equity Shareholders of the Company, whose names appear on the Register of Members as on 20th September, 1974.

BY ORDER OF THE BOARD

B.N. PURANMALKA,
Secretary.

Birlagram, Nagda.
Dated: 31st July, 1974.

basis to the existing shareholders in the ratio of one new right equity share for two equity shares held. It will be alloted to those shareholders whose name appear on the Register of member of the company as on August 19, 1974.

American Express Bank G.m.b.H., Frankfurt, has announced acquisition of WABA Warenkredit bank Untermoehl & Co., a consumer credit firm located in Cologne, West Germany. Functioning as a branch of American Express Bank G.m.b.H., the Cologne operation will expand its activities to include full service banking as usually done by German banks. In addition to Frankfurt and Cologne, American Express Bank G.m.b.H., a wholly owned subsidiary of American Express International Banking Corporation, maintains branches in Duesseldorf, Hamburg, Heidelberg and Munich.

With a view to give fillip to the salt industry in the state the government of Tamil Nadu have set up a public sector company viz. *Tamil Nadu Salt Corporation Limited* with an authorised capital of Rs 50 lakhs. To start with, this Corporation has taken up a project to set up a major salt works in the Mariyur swamp area in Mudukulathur taluk of Ramnad District. An extent of 5,680 acres in the swamp area will be used for the project which would produce 2.5 lakh tonnes per year of high quality industrial grade salt. The cost of this project is estimated at Rs 60 lakhs. It is expected that production will commence by the middle of 1975. The Salt Corporation will also, in due course, take up the development of other areas suitable for salt production in the state like Vedaranyam, Tuticorin, etc. and would also develop chemical industries based on salt and bitterns. In addition to developing the production of salt, the Salt Corporation would take up the responsibility of assisting the private salt manufacturers through financial assistance, marketing facilities, godown facilities, and infrastructural development.

New issues

Paliwal Mini-Steel (India) Ltd. proposes to enter the capital market shortly with a public issue of three lakh equity shares of Rs. 10 each amounting to Rs 30 lakhs to finance partly its Rs. 135.47 lakh mini-steel plant project at Matsaya industrial area, Alwar Rajasthan, for the manufacture of mild steel ingots. Trial production is likely to start in October and commercial production by the end of November. The installed capacity of the plant will be 30,000 tonnes per annum and the company hopes to utilise the maximum capacity of the plant from the third year after the completion of the project. The installation of plant and machinery is likely to start next month and will be completed by September. The project cost of Rs. 135.47 lakhs will be met by equity share capital of Rs. 50 lakhs, medium term-loan Rs. 70 lakhs, Central cash subsidy Rs. 15 lakhs and deferred payment for land Rs. 47,000. Out of the equity share capital of Rs. 50 lakhs, Rs. 20 lakhs will be subscribed by the promoters, directors and their friends, leaving Rs. 30 lakhs to be offered to the public for subscription.

Singh Alloys and Steel, which is setting up a mini steel plant at Kalyani (West Bengal) with an installed capacity of 18,000 tonnes of mild steel ingots per annum, is expected to enter the capital market by the end of this month, with a public issue of 2.40 lakh equity shares of Rs. 10 each at par. The cost of the project is placed at Rs. 1.05 crores, which will be met by share capital (Rs. 45 lakhs) and long-term loans (Rs. 60 lakhs). Since the plant is being set up in notified backward, area, the company will get 15 per cent. subsidy from the central government, The management hopes to pay a reasonable dividend from the very first year of the company's full production.

Capital and Bonus Issues

Consent has been accorded to five companies to raise capital amountiug to over Rs. 6.89 crores. Following are the details;

Gwalior Rayon Silk Mfg. (Wvg.) Co. Ltd. has been granted consent, valid for three months for issue of bonus shares in the proportion of three shares for every five shares held. This would involve capitalisation of Rs. 3.96 crores.

Birla Cotton Spinning and Weaving Mills Ltd., Delhi has been granted consent, valid for 12 months, for issue of secured debentures worth Rs. 1.2 crores to be offered to the public for subscription through a prospectus.

Indian Extractions Pvt. Ltd Bombay has been granted consent, valid for three months for issue of bonus shares worth Rs. 10 lakhs.

British Paints (India) Ltd Calcutta, has been granted consent valid for 12 months for issue of equity shares worth Rs. 26,22,820 to be issued at a premium of Rs. one per share of Rs 10 each.

Hindustan Electro-Graphites Ltd., New Delhi, has communicated to the government its proposal to issue capital under Clause 5 of the Capital Issue (Exemption) Order, 1969, to the value of Rs. 137.50 lakhs (inclusive of capital already raised) in the form of 13,75000 equity shares of Rs 10 each.

Dividends

Revised Dividends (Per cent)

Name of the company	Year ended	Equity dividend declared	
		Before ordinance	After ordinance
Shree Ram Mills	Dec. 31, 1973	10.0	5.38
Blue Star	Dec. 31, 1973	15.0	10.0
Lakshmi Mills	Mar. 31, 1974	20.0	12.0
Thamarappally Rubber	Dec. 31,1973	12.5	12.0
Tropical Plantations	Dec. 31, 1973	5.2	Nil.
Metal Distributors	Dec. 31, 1973	10.0	4.0
Aditya Mills	Dec. 31, 1973	12.0	8.5
Gujarat Steel Tubes	Mar. 31, 1974	14.0	12.0

Dividend Announcements (Per cent)

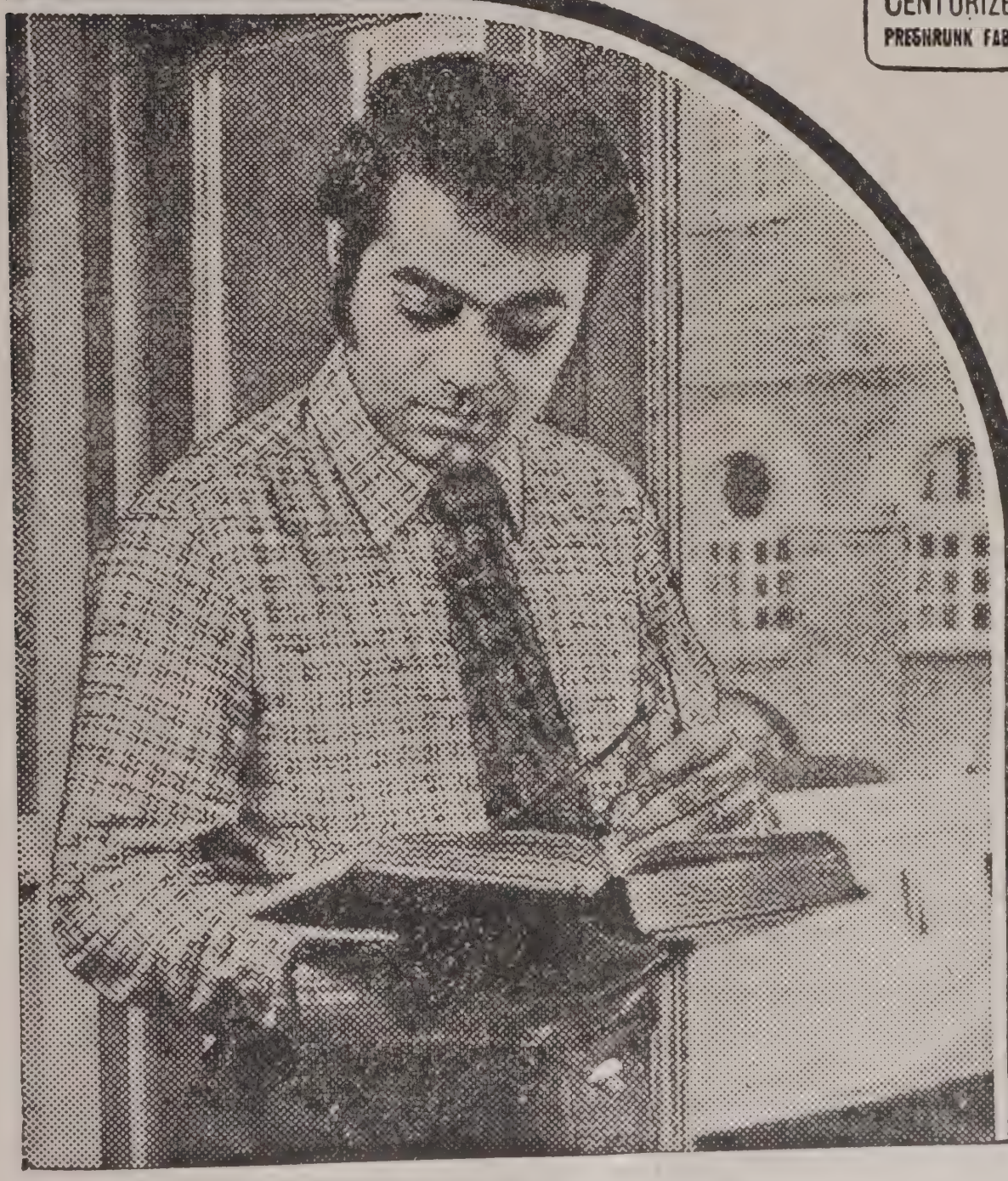
Name of the company	Year ended	Dividened declared for	
		Current year	Previous year
Higher Dividend			
Coimbatore Cotton	Dec. 31 ,1973	20.0	10.0
Nagri Mills	Dec. 31, 1973	15.0	14.0
New Great Eastern Spg.	Dec. 31, 1973	12.0	5.0
R. Choodambikai Mills	Dec. 31, 1973	12.0	Nil.
Same Dividend			
Elgin Mills	Dec. 31, 1973	10.0	10.0
Assam Match Co.	Dec. 31, 1973	20.0	20.0
Killick Nixon	Nov. 30, 1973	9.0	9.0
Jeewanlal (1929)	Dec. 31, 1973	10.5	10.5
Navjivan Mills	Dec. 31, 1973	Nil	Nil
Nimar Textiles	Dec. 31, 1973	Nil	Nil
Sardesai Brothers	Dec. 31, 1973	12.0	12.0
Polyolefins Industries	Dec. 31, 1973	12.0	12.0
Peirce Lesile India	Sept. 30, 1973	Nil	Nil
Industrial Cables	Oct. 31, 1973	10.0	10.0
Bajaj Auto	Mar. 31, 1974	10.0	10.0
Reduced Dividend			
Travancore Cements	Dec. 31, 1973	Nil	6.0
Amalgamated Electricity	Mar. 31, 1974	12.0	14.0

COTTON COMFORT OF THE CENTURY

The cool comfort of a great cotton fabric made by Century ... Cosy-Cot. When it comes to comfort, nothing beats cotton ... cotton that's cool, absorbent, care-free. You feel the difference when you wear a shirt made out of Cosy-Cot. COSY-COT WITH NEVER-BEFORE DESIGNS, CLEVER-WOVEN INTO A RICH RICH TEXTURE. PRE-SHRUNK FOR FINE LONG WEAR AND LASTING SHAPE.

Cosy-Cot
SHIRTINGS

CENTURIZED
PRESHRUNK FABRIC



Manufactured by:
THE CENTURY
SPG. & MFG. CO: LTD.
BOMBAY 25 DD

NPS/CM-18

RECORDS AND STATISTICS

Finance (No. 2) Bill, 1974, Explained

THE MINISTRY of Finance issued on July 31, 1974, a memorandum which explained the provisions of the Finance (No 2) Bill, 1974. It covered direct taxes, customs and union excise duties. The bulk of the the additional revenue was expected from excise duties. In a full year, the additional revenue from basic duties was expected to be Rs 99.70 crores while auxiliary duties were estimated to yield Rs 66.86 crores. Among direct taxes, the imposition of tax on the interest earnings of commercial banks was anticipated to yield about Rs 60 crores. Full text of the memorandum follows:-

Provisions Relating to Direct Taxes

The only proposal in the Finance (No 2) Bill, 1974, in the sphere of direct taxes relates to the proposed increase in the incidence of tax on long-term capital gains. This proposal is explained in the following paragraphs.

2 Under the existing provisions of the Income-tax Act, 1961, long-term capital gains, i.e., capital gains arising from the transfer of a capital asset which is held for more than sixty months from the date of acquisition, are charged to tax on a concessional basis. In the case of taxpayers other than companies, the concession is allowed by deducting a specific proportion of the long-term capital gains in computing the taxable income of the taxpayer. In the case of companies, lower rates of tax have been specified in the Income-tax Act in respect of long-term capital gains.

3 In view of large unearned incomes accruing as a result of the inflationary situation, the following modifications are proposed to be made in the relevant provisions of the Income-tax Act with a view to increasing the incidence of tax on long-term capital gains:

(i) Taxpayers other than Companies

(a) Long-term capital gains relating to buildings or lands or any rights therein —the deduction from the total income will be Rs 5,000 *plus* 25 per cent, of the amount of such gain over Rs 5,000 (as against 35 per cent, under the existing law).

(b) Long-term capital gains relating to other capital assets — the deduction from the total income will be Rs 5,000 *plus* 40 per cent of the amount by which the gains exceed Rs 5,000 (as against 50

S. No.	Traffic Item No.	Commodity	Unit	Rate of duty (Basic) Existing	Rate of duty (Basic) Proposed	Estimated additional revenue in one full year
1	2	3	4	5	6	7
						(Rs lakhs)
		A—CHANGES PROPOSED BY BILL				
1.	4II(2)	Cigarettes		B. 200% A. [100%]	250% [NC]	1500 B [145AY]
		Effective rates				
		i) Cigarettes of which the value per 1000 does not exceed Rs. 10/-		75%	85%	
		ii) Others		75% plus 3% for every additional rupee or part thereof in excess of a value of rupees 10 per 1000 cigarettes	85% plus 3% for every additional rupee or part thereof in excess of a value of rupees 10 per 1000 cigarettes	
		Note: i) There is no change in the present effective rates of additional duty of excise in lieu of sales-tax nor in the present rate of auxiliary duty of excise.				
		ii) Additional revenue under "AY" which is consequential to the changes in the rates of basic duty of excise has already been taken into account under Part C.				
						[S.No. (i) of Part 1 of the Schedule]
2.	16	Tyres				880
	(1)	Tyres for motor vehicles		50%	60%	
	(3)	All other tyres		20%	25%	
		Effective rates				
	(1)	Tyres for Motor vehicles				
		(a) Specified types of tyres for scooters motor cycles, mopeds and auto-cycles		25%	NC	
		(b) tyres for tractors		20%	25%	
		(c) others		50%	55%	
	(3)	All other tyres		20%	25%	

—Contd.

per cent under the existing law).

i) Companies

(a) Long-term capital gains relating to buildings or lands or any rights therein these will be chargeable at the rate of 55 per cent, as against 45 per cent, under the existing law. A lower rate of 47 per cent, will, however, be applied in the case of widely-held companies having taxable income (other than long-term capital gains) not exceeding Rs 1 lakh.

(b) Long-term capital gains relating to other assets—these will be chargeable to tax at the rate of 45 per cent, in the case of all companies, as against 35 per cent under the existing law.

4. The changes set forth in the preceeding paragraph will come into force from 1st April, 1975 and will accordingly apply to the assessment year 1975-76 and subsequent assessment ycars.

Customs

(a) There is no proposal changing the effective rates of basic import duties, auxiliary duties of customs or export duties.

(b) The changes made in the basic duties or the auxiliary duties of central excise will be attracted by way of additional (countervailing) duties on like imported articles with the exception of:—

(i) copper and copper alloys, and zinc, which have been exempted from so much of the additional (countervailing) duty as is in excess of the rates

1	2	3	4	5	6	7
		Tyres specially designed for use on animal drawn vehicles and tyres and tubes for cycles (other than motor cycles) will continue to be exempted.				
					[S. No. (ii) of Part 1 of the Schedule]	
3.	16A	Rubber Products				60 B [12 AY]
	(1)	Latex foam sponge			50% 60%	
	Note:	(i) There is no change in the present rate of auxiliary duty of excise.				
		(ii) Additional revenue under "AY" which is consequential to the change in the rate of basic duty of excise has already been taken into account under Part C.				
					[S. No. (iii) of Part 1 of the Schedule]	
4.	23	Cement			25% 30%	2670 B [267 AY]
	Note:	(i) There is no change in the present rate of auxiliary duty of excise.				
		(ii) Additional revenue under 'AY' which is consequential to the change in the rate of basic duty of excise has already been taken into account under Parr C,				
					[S. No. (iv) of Part 1 of the Schedule]	
5.	23C	Asbestos—Cement Products, all sorts			10% 15%	210
					[S. No. (v) of Part 1 of the Schedule]	
6.	25	Iron in any crude from including pig iron, etc.	T.	Rs. 50.00	Rs. 70.00	320
					[S. No. (vi) of Part 1 of the Schedule]	
7.	26A	Copper and Copper alloys				480 B (360 AY)
	(1)	in any crude from including ingots, bars, blocks, etc.	T	Rs. 1500.00	Rs, 4000.00	
	(1a)	wire bars, wire roads, etc.	T	Rs. 1500.00	Rs.4000.00	
	(2)	Manufactures, the following, namely, plates,s heets circles, strips and foils in any form or size.	T	Rs. 2000.00	Rs. 4500.00	
	(3)	pipes and tubes.			10% 20%	
		It is a measure intended mainly to mop up the unintended benefit accruing because of the high level of selling prices of imported copper.				
	Note:—	i) There is no change in the present rate of auxiliary duty of excise.				
		ii) Additional of revenue under 'AY' which is consequential to the change in the rate of basic duty of excise has already been taken into account under part C.				
					(S. No. (vii) of Part 1 of the Schedule)	
8.	26B	Zinc				290 B [217 AY]
	(1)	Unwrought including ingots, cakes, bars, blocks, etc.	T.	Rs. 500.00	Rs. 1500.00	
	(2)	manufactures, the following,	T.	Rs. 800.00	Rs. 1800.00	

—Contd.

prevailing on the 31st July, 1974;

(ii) artificial or synthetic resins or plastic materials, and articles there of, steel ingots including steel melting scrap, iron or steel products, and tin plate and tinned sheets including tin taggers, and cutting of such plates, sheets or taggers, which would continue to be exempted from the additional (countervailing) duty equal to the auxiliary duty of excise as hitherto; and

(iii) caprolactam and dimethyl terephthalate, which have been exempted from the whole of the additional (countervailing) duty.

(c) Additional revenue amounting to Rs 100 lakhs per annum is expected from additional (countervailing) duties consequent on the changes in central excise duties in respect of other articles.

Union Excise Duties

General Notes

(1) Percentages indicated under the "Rate of Duty" column are "*ad valorem*"

(2) **Abbreviations :**

B=Basic duty
A=Additional duty of excise in lieu of Sales-tax
AY=Auxiliary duties
E=Exempted from duty
NC—No change
DR=Different rates
T=Metric tonne
Qtl.=Quintal
Rs=Rupees
d=denier
sq m=square metre
Kg=Kilogram
NOS=Not Otherwise Specified
NES=Not Elsewhere Specified
gms.=Grammes
NF=New French

1	2	3	4	5	6	7
		namely, plates, sheets, circles, strips & foils in any from or size.				
		(3) pipes and tubes		10%	20%	

As in the case of copper, is it a measure intended mainly to mop up the unintended benefit accruing because of the high level of selling prices of imported zinc.

Note:— (i) There is no change in the present rate of auxiliary duty of excise.

(ii) Additional revenue under 'AY' which is consequential to the change in the rate of basic duty of excise has already been taken into account under Part C.

[S. No. (viii) of Part I of the Schedule]

9.	32	Electric lighting bulbs and fluorescent lighting tubes				212
		(1) vacum and gas filled bulbs		20%	25%	
		(2) Fluorescent tubes		30%	40%	
		(3) Sodium and mercury vapour discharge lamps		10%	15%	
		(4) All sorts, NOS		25%	30%	
		Effective rates				
		i) Bulbs not exceeding 60 watts. but excluding electric lighting bulbs of the type commercially known as "miniature lamps"		11%	15%	
		ii) Bulbs of the type commercially known as "miniature lamps"				
		(a) for miners' safety lamps		Nil	NC	
		(b) others		11%	NC	

[S. No. (ix) of Part I of the Schedule]

10.	14AA	(2) Caprolactam, dimethyl terephthalate (DMT)		—	50%	1240
		Effective rates				
		Dimethyl terephthalate (DMT)		—	25%	

It is proposed to levy excise duty for the first time on these two chemicals.

[Part II of the Schedule]

—Contd.

1	2	3	4	5	6	7
	B—CHANGES PROPOSED BY NOTIFICATIONS					
11.	18 Rayon and synthetic fibres and yarn	Kg.	Rs.	60.00	NC	1138
	Effective rates					
	a) Staple fibre and two of cellulosic origin	Kg.	Rs.	1.00	Rs. 1.50	
	b) Rayon and synthetic yarn of cellulosic derivatives or regenerated cellulose or both— other than acetate yarn—					
	of and above / below			Rs.	Rs.	
	— / 75 d	Kg.		11.40	14.25	
	75 d / 100 d	Kg.		7.40	9.25	
	100 d / 120 d	Kg.		5.25	6.60	
	120 d / 150 d	Kg.		4.35	5.50	
	150 d / 350 d	Kg.		3.75	4.70	
	350 d but not above 1100 d	Kg.		2.50	3.15	
	above 1100 d	Kg.		2.00	2.50	
	c) Other synthetic yarn— polyamide (nylon) yarn					
	of and above / below			Rs.	Rs.	
	— / 35 d	Kg.		38.50	42.00	
	35 d / 80 d	Kg.		33.50	37.00	
	80 d / 110 d	Kg.		28.50	32.00	
	110 d / 150 d	Kg.		23.50	27.00	
	150 d but not above 750 d	Kg.		11.50	14.00	
	above 750 d	Kg.		5.85	6.50	
	There is no change in the present concessional rate of duty on nylon yarn for use in the manufacture of fishing nets and parachute cords.					
12.	18A Cotton twist, yarn and thread, all sorts					970
	i) of counts 29 NF or more	Kg.	Rs.	5.00	NC	
	ii) of counts less than 29 NF	Kg.	Rs.	1.00	NC	
	Effective rates					
	Cotton twist, yarn and thread (other than straight-reeled hank yarn and yarn used for weaving by composite mills)					
	(NF Counts)					
	of or more counts / Less than		Kg.	Rs.	Rs.	
	84 / —		Kg.	2.50	3.75	
	69 / 84		Kg.	2.00	3.40	
	51 / 69		Kg.	1.75	3.15	
	40 / 51		Kg.	1.50	2.85	
	34 / 40		Kg.	1.00	1.25	
	29 / 34		Kg.	0.90	1.10	
	22 / 29		Kg.	0.40	0.60	
	14 / 22		Kg.	0.20	NC	
	— / 14		Kg.	0.10	NC	
	The proposal is intended to reduce the difference in the yarn stage duty incidence on superfine, fine and medium—A cotton fabric produced by powerloom units and composite mills. The revised rates will also apply to cotton yarn used in the manufacture of hosiery, sewing thread, etc.					

(*Contd.*)

C—AUXILIARY DUTIES OF EXCISE 6686

Section 22 of the Finance Act, 1974 (No 20 of 1974) levies auxiliary duties of excise on all excisable goods mentioned in the Central Excise Tarriff Schedule at an amount equal to 20% of the value of the goods. However, all excisable goods other than those mentioned in paras 2 and 3 below are wholly exempted from this levy,

2. There is no change in the present rates or auxiliary duties of excise on i) Aerated waters; ii) Unmanufactured tobacco; cigarettes and smokinw mixtures; iii) Glycerine; iv) Synthetic Organic Dyestuffs v) Synthetic Organic Products; vi) Cosmetics and toilet preparations; vii) Gases; viii) Rubber products; ix) Synthetic rubber; x) Plywood xi) Jute yarn; xii) Jute manufactures; xiii) Cement; xiv) Copper and copper alloys; xv) Zinc and xvi) Aluminium. However, on account of changes in the basic duties of excise on a) Cigarettes; b) Latex foam sponge under rubber products; c) Cement; d) Copper and copper alloys and e) Zinc, consequential accruals under auxiliary duties of excise have been taken into account under this head.

3. It is now proposed to effectively levy for the first time auxiliary duties of excise on two more items and to make changes in the present rates in respect of a few others The details are as follows:—

S. No.	Tariff Item No.	Brief description of goods	Rate of duty as percentage of the effective basic duty of excise	
			Existing	Proposed
1.	14	Paints and varnishes	33⅓	50
2.	15A	Plastics, all sorts	20	40
3.	17	Paper (excluding commoner varieties of printing and writing paper)	—	33⅓
4.	191(1) (1A), II & III	Cotton fabrics	—	33⅓
5.	26	Steel ingots	75	100
6.	26AA	Iron or steel products		
		a) Skelp	50	70
		b) Rails and Sleeper bars (for railway track)	75	NC
		c) Others	75	100
7.	28	Tin plates and tinned sheets	50	70

ABSTRACT--CENTRAL EXCISES

S. No.	Tariff item No-	Commodity	Estimated additional revenue in one full year		
			Basic	Auxiliary	Total
1	2	3	4	5	6
				(Rs. lakhs)	
		I. EXISTING ITEMS			
1.	4 II(2)	Cigarettes	1500	145	1645
2.	14	Paints & varnishes	—	180	180
3.	15A	Plastics, all sorts	—	900	900
4.	16	Tyres	880	—	880
5.	16A	Rubber products	60	12	72
6.	17	Paper	—	1320	1320
7.	18	Rayon & synthetic fibres and yarn	1138	—	1138
8.	18A	Cotton yarn	970	—	970
9.	19	Cotton fabrics	—	600	600
10.	23	Cement	2670	267	2937
11.	23C	Asbestos cement products	210	—	210
12.	25	Iron in any crude form	320	—	320
13.	26	Steel ingots	—	210	210
14.	26A	Copper and copper alloys	480	360	840
15.	26AA	Iron or steel products	—	2435	2435
16.	26B	Zinc	290	217	507
17.	28	Tin plates	—	40	40
18.	32	Electric lighting bulbs and tubes	212	—	212
		Total of I.	8730	6686	15416
		II. NEW LEVY			
1.	14AA (2)	Caprolactam and Dimethyl terephthalate	1240	—	1240
		Grand total of I & II.	9970	6686	16656

SUMMARY

(Rs. in crores)

	Center	States	Total
i) Basic duties	79.76	19.94	99.70
ii) Auxiliary duties	66.86	—	66.86
Total	146.62	19.94	166.56

Export Trends : IIFT Forecast

(Rs crores)

Item	1968-69 (Actuals)	1972-73 (Actuals)	1973-74 (likely)	Draft Plan projections.	Proposed targets
Tea	156.51	147.29	165.00	174.00	198.40
Coffee	17.96	32.93	45.58	40.00	48.80
Tobacco, unmanufactured	33.16	61.07	64.29	71.00	89.80
Cashew kernels	60.93	68.82	74.60	85.00	88.00
Oilcakes	49.47	74.77	156.00	73.00	156.40
Guargum (including guar meal)	1.03	3.76	6.45	—	20.00
Walnuts	2.84	3.43	2.54	—	7.50
Canned and bottled fruits and vegetables	1.03	3.20	2.86	—	10.00
Spices	31.78	35.90	52.50	36.00	60.35
Sugar, raw and refined	10.10	13.29	42.50	25.00	75.00
Fish and fish preparations	24.70	59.72	89.50	150.00	143.50
Rice	1.29	3.77	8.49	—	48.75
Oilseeds and nuts	7.12	6.80	9.55	—	8.00
Essential oils	4.31	4.02	5.02	—	6.50
Non-essential oils	11.71	24.63	25.76	—	37.00
Meat and meat preparations (including fresh, frozen and canned)	Negligible	0.44	0.82	—	10.00
Shellac	3.80	4.87	12.79	—	20.00
Raw jute	2.43	4.45	9.27	—	20.00
Raw cotton	11.10	21.58	27.50	25.00	48.75
Raw wool	4.87	6.22	5.48	—	4.50
Jute manufactures	218.01	249.96	222.83	240.00	354.50
Cotton textiles-mill made	97.52	158.34	137.82	225.00	450.00
Cotton textiles-handloom (including silk and other products)	15.77	48.46	60.00		140.00
Silk, rayon and synthetic textiles	3.69	10.24	32.00	20.00	50.00
Woollen textiles	21.36	41.97	50.00		135.00
Coir yarn and manufactures	14.50	14.94	15.54	20.00	20.00
Leather and leather manufactures	80.60	186.37	180.68	211.00	335.00
Chemicals and allied products	26.55	40.69	46.24	103.00	88.00
Basic chemicals, pharmaceuticals and soaps (excluding essential oils)	17.52	37.44	64.61	—	79.00
Plastic processed goods	2.54	7.01	9.85	—	30.00
Engineering goods	84.97	150.50	183.00	400.00	525.00
Iron and steel	74.45	23.14	25.00	56.00	30.00
Feero-manganese and other ferroalloys	4.48	6.72	5.66	—	5.75
Iron ore	88.40	109.79	135.20	230.00	350.00
Manganese ore	13.46	8.67	10.06	—	15.00
Mica and mica products	15.50	19.82	16.89	26.00	47.20
Coal	2.67	3.16	3.26	10.00	10.00
Gem and jewellery	46.59	71.88	105.04	150.00	200.00
Handicrafts	24.27	41.74	60.30	70.00	110.00
Sports goods	1.20	3.60	5.75		20.00
Sub-total	1,303.42	1,807.70	2,281.40	2,475.00*	4,096.50
Total exports including re-exports (commodities/products)	1,358.76	1,960.89	2,449.10	2,890.00	4,444.00
Consultancy services	Neg.	0.50	0.90	—	26.00
Grand total	1,358.76	1,961.39	2,450.00	2,890.00	4,470.00

*Comparable with estimated exports worth Rs 1,684 crores in 1973-74.
Source : Export Targets during Fifth Five-year Plan—An IIFT Study.

Relative Contribution of India's Major Export Items to Total Exports

(Percentages)

Item	1972-73	1973-74	1978-79	Envisaged growth rates (1978-79 over 1972-73)
Engineering goods	7.7	7.5	11.7	23.2
Cotton textiles—mills made	8.1	9.7	10.1	19.0
Jute manufactures	12.7	9.1	7.9	6.0
Iron ore	5.6	5.5	7.8	21.3
Leather and leather manufactures	9.5	7.4	7.5	10.3
Gem and jewllery	3.7	4.3	4.5	18.6
Tea	7.5	6.7	4.4	5.1
Oilcakes	3.8	6.4	3.5	3.1
Fish and fish preparations	3.0	3.7	3.2	15.7
Cotton textiles—handloom (including silk and other products)	2.5	2.4	3.1	19.3
Woolen textiles	2.1	2.0	3.0	21.5
Handicrafts	2.1	2.5	2.5	17.5
Tobacco, (unmanufacutred)	3.1	2.6	2.0	6.6
Cashew kernels	3.5	3.0	2.0	4.3
Chemicals and allied products	2.1	1.9	2.0	13.7
Basic-chemicals, pharmaceuticals and soaps (excluding essential oils)	1.9	2.8	2.6	13.3
Sugar-raw and refined	0.7	1.7	1.7	33.4
Spices	1.8	2.1	1.4	9.0
Sillk, rayon and synthetic textiles	0.5	1.3	1.1	30.3
Coffee	1.7	1.9	1.1	6.8
Rice	0.2	0.3	1.1	53.2
Raw cotton	1.1	1.1	1.1	14.3
Mica and mica products	1.0	0.7	1.1	15.6
Sub-total	85.9	86.4	85.6	14.5
Total (including others)	100.0	100.0	100.0	14.7

Source: Export Targets during Fifth Five-Year Plan: An—IIFT study.

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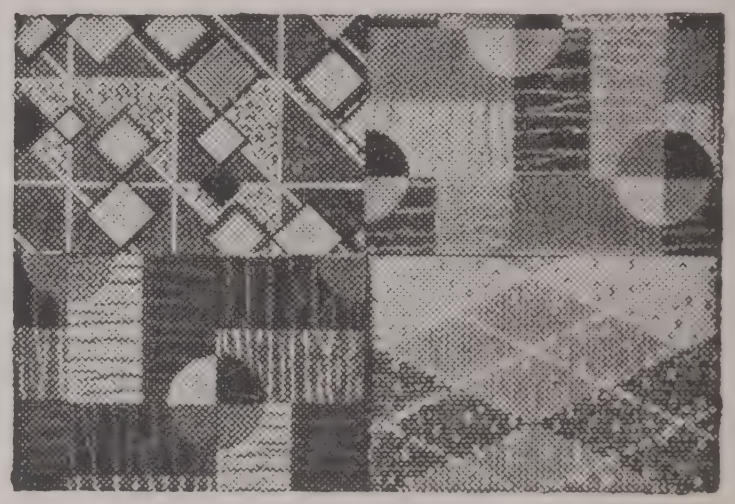
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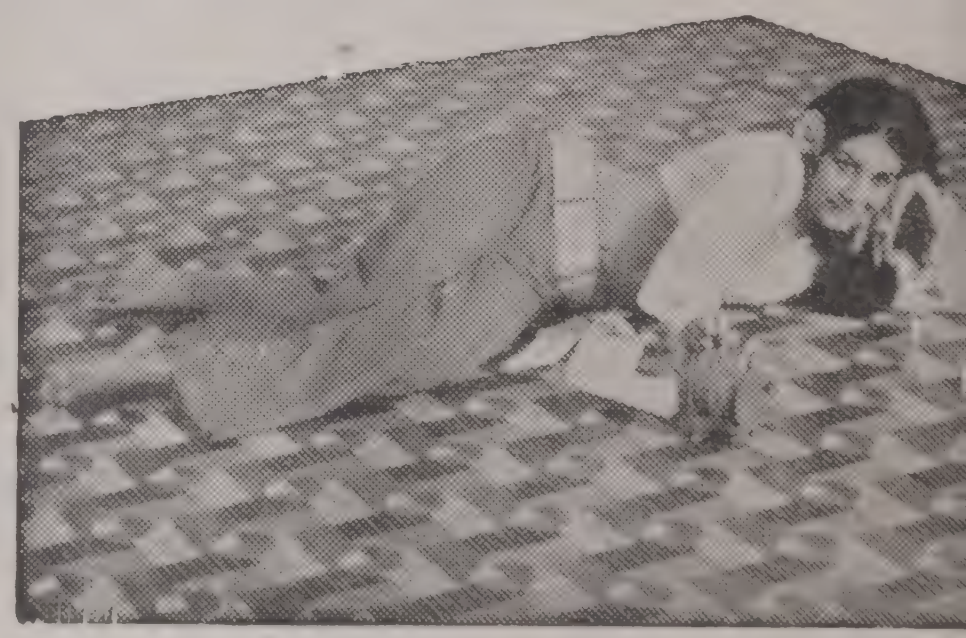
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Nixon no more

COMMENTING on Mr Richard Milhaus Nixon's election as President of the United States for a second term, the editor of this journal wrote in his column "Moving Finger" in the issue dated November 17, 1972, as follows:

> "President Nixon has won pants down—and every man and his wife must keep their fingers crossed. Mr Nixon is a small man, but the United States is a global power. This is a heart-breaking combination. Four more years of "Nixonics"—whether it is Nixon politics or Nixon economics—may well be more than what this tortured century can bear. Interestingly enough. now, for the first time in his life, Mr Nixon will not have to be thinking of another election to be won, for the US constitution mercifully limits White House tenancies to two four-year terms. Will the thought that he has nowhere further to go make him a more decent man with some appreciation of human values? Or, will his hyena-instincts prevail still despite all the destruction of man or nature which he has caused in many lands of Asia?"

It may be conceded readily that the sentiments expressed in this passage were inspired in part by the cynical acceptance by the Nixon administration of the evil things that the Yahya regime had done in its vain attempt to scotch the liberation struggle for Bangladesh. Despite this element of subjectivity this journal could rightly claim that it felt at that time that the American electorate had made a choice that they might come to regret. It might be that Senator George McGovern might not have made an ideal president but it has now been placed beyond doubt that Mr Nixon's re-election was a disaster from which the people of the United States have just managed to retrieve their national honour.

This is not to belittle in any way the solid achievements of the second Nixon administration in several areas of foreign policy or international relations, particularly in respect of the Arab-Israeli conflict in the Middle East and it is of course not necessary at all to try to apportion credit for these results between Mr Nixon and Mr Kissinger for these achievements since the latter could not have functioned as he did without the authority (and, perhaps the leadership) which the former only could have provided — and which he clearly did. In any case Mr Nixon himself has always been the most eloquent propagandist of his administration's successes in foreign affairs and it is hardly likely that they will get lost in the chronicles of that country for want of emphasis or reiteration in the recording.

Unfortunately for him as well as for the American people, in the history of that country has also been written down once for all the damage that men in power could do to a nation's honour and the danger they might pose to a nation's destiny if they happen to be also men lacking in character and therefore having no use for human values. The difference between a democracy and authoritarian rule lies not so much in their respective forms of government as in the almost spiritual distinction between a society where power is held as a public trust and exercised for a public purpose and a society where power is cultivated as a personal possession and exploited for private ends. The tragedy of the Nixon phase in the White House is that a man habitually malfunctioning on an amoral plane was for a ruinous but mercifully brief period able to misuse the resources of the most powerful public office in the world to subvert for the time being what is basically the world's most dynamic and productive democratic polity.

Grave as this calamity was, great also has been the triumph of the human spirit in which it has finally been dissolved. Cynics may suggest that Mr Nixon might still have been able to save his skin and last out his second term had his administration been more effective in dealing with the double-digit inflation plaguing the American people. While it is probably true that rising prices, combining with the threat of recession, completed the final disillusionment of the American people with the Nixon presidency, there is no denying the fact that the three great estates of a democracy, namely a free, fearless and efficient press, an independent judiciary and a responsible and responsive legislature, had come together as a holy trinity to create a moral and political atmosphere in which public opinion could cohere as popular will in defence of the true spirit of American democracy. In this sense the United States may still, in

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historical terms, owe a debt to Mr Nixon, although he himself has left the White House with undischarged liabilities owed to his countrymen. Whatever else may be important or not in the consequences of the downfall of the Nixon administration, American democracy (and consequently democracy as a global asset) has probably been enabled to acquire significant immunity from the power which corrupts, at least for the duration of a generation. As Mr Gerald Ford takes over at the White House, the American presidency becomes an office where power will hereafter have to be exercised under the strict discipline of responsibility which is at once both moral and political.

Reference was made earlier in this article to the comments which appeared in this journal on the re-election of Mr Nixon. On that occasion, the point was also made that, "in essentially ethical terms, the Indira Gandhi phase in government and public life in our country has been and is no better. In both cases a nation's sense of mission has been devalued down to the small coin of personalized power politics on an amoral plane." Now, two years later, this journal sees no reason for revising that view. Whatever may have been the narrow political successes of Mrs Gandhi's prime ministership, or her achievements in foreign policy in respect of the Bangladesh struggle or in other and less spectacular directions, the fact remains that Indian democracy, instead of naturally growing through the vigour of its public affairs or governmental processes, has been steadily fading into a pale shadow of the dreams this country had been cherishing in anticipation of its liberation from foreign rule. What has been a two-year nightmare in the United States thus threatens to become a more or less permanent condition of our political life. In Gujarat, even a subordinate state administration, which had forfeited the confidence of the people, could be made to remove itself from the scene only after protesting citizens had been killed in police firings or in the course of army action. In Bihar, currently, it has been found necessary to start a Gandhian type of mass civil disobedience movement in order that corrupt politicians and administrators could be persuaded to recognise that the day must be over, some time or the other, for them and their like elsewhere. Quite clearly Indian democracy has a long way to go before it could defend or protect itself sufficiently. In the meanwhile the Indian people may salute the people of America for raising the morale of democracy everywhere by reaffirming the golden principles of constitutional liberty and the rule of law.

For the common man

THE PLANNING Commission set up, in March last year, a committee under the chairmanship of Mr Mohan Dharia, minister of state for Planning, to study the problems associated with the availability of essential commodities and articles of mass consumption in this country. This committee was intended to analyse the factors which influenced the demand and supply of essential commodities and to make recommendations to the government regarding the procedure to be adopted and measures to be taken for their assured supply to the common man at reasonable prices. While the first part of its report was completed in August last year, it was only in December, 1973, that the committee could complete the second part and present the full report to the government.

In the past seven months, the economic scene changed at such a fast pace that the report became partly out of date. For example, the committee, while explaining the broad approach adopted by it for conducting the study, had stated, "If the objective of making available essential commodities and articles to the common man at reasonable prices is to be realised in the fifth Plan period it is necessary to bring about a fundamental improvement in the inflationary situation during the next six to nine months", but during the first half of the current calendar year the inflationary pressure went on increasing instead of being brought under control. However, the impact of increased taxation proposed by the Finance minister, Mr Y.B. Chavan, on July 31 and the imposition of three ordinances which preceded it coupled with the enhancement in the Bank Rate by two per cent on the price line had yet to be assessed, though there was little hope that all these measures would materially affect the supply of consumer products and curb the upward rise of their prices.

The committee studied problems of a long list of essential goods including cereals, pulses, edible oils, sugar, gur, common clothing, cooking fuels, footwear, drugs and medicines, bicycles, bicycle tyres and tubes, matches, dry cells, hurricane lanterns, soaps and detergents and text books and stationery. Since it had started its work early in 1973, it relied for its guidance on the approach document to the fifth Plan. The draft of the fifth Plan, which like the approach document was already out of date, was not available to the committee while formulating its proposals.

In any case, the approach document, the draft Plan as well as the report of the committee under reference—whatever their limitations—emphasised without any exception the need to avoid all-round general inflation. Rightly, the committee felt that control on the prices of a few commodities was not possible when there was a general inflationery trend in the country. Said the committee: "It was impossible to preserve for long an island of price stability amid an ocean of raging inflation". Its suggestion to the government to restraint deficit financing and undue expansion of bank credit along with a substantial increase in output by expediting the projects under implementation and by fuller exploitation of the available production potential was without doubt sound. It realised that the imposition of stringent financial and fiscal measures alone would not curb the inflationery pressure. At the same time, it would be necessary to bring about an increase in production by quickly implementing the incomplete projects and by making full use of the already created capacity.

Again, the committee showed awareness about the price pattern of essential commodities whose demand-supply rela-

es in availability had a disproportionate- large impact on prices. In such cases, ne middlemen tried to exploit the situ- tion either by cornering the commodity r by withholding supplies. The mone- ary measures taken by the government n such a situation were of not much vail.

Having assumed that there were bound o be frequent shortages of essential rticles and the middlemen were likely o take advantage of the scarce situa- ion, the committee came to the conclu- ion—and for this it drew inspiration rom the approach to the fifth Plan locument—that at the apex level a central rganisation might be given the responsi- ility for procurement, storage and inter- tate movements. It suggested that the Food Corporation of India (FCI) should ake up this task for all foodgrains. A eparate corporation was recommended or oilseeds and vegetable oils. The res- onsibility for levy sugar could continue with the FCI while kerosene could be the responsibility of Indian Oil Corpo- ation. If a central organisation was set up for marketing coal, it could also handle soft coal. It was also suggested that common clothing, standard footwear, and soaps and detergents might be entrus- ted to the National Cooperative Consu- mers Corporation. For milk production and distribution, no central organisation was suggested because it could be handled only at the local level. The committee, thus, was in favour of increased interven- tion by the state in the procurement and distribution of essential commodities.

The committee spelt out in detail the part that the central organisation should play in procurement as it felt that pro- curement was the life-line of the public distribution system. For distribution, it suggested that the states should bear full responsibility for making equitable arran- gements so as to make the essential commodities reach the common man. It was for the agencies at the state level to work out the distribution channels, though it recommended preference to be given to consumers' cooperative at the retailers level.

The committee presumed that the government would persist in its efforts to take over the wholesale trade in wheat and would extend it to rice and coarse grains. It recommended that the distri- bution of pulses also should be brought within the scope of public distribution system. As in the case of coarse grains, it suggested that adequate support and procurement prices and an appropriate levy be adopted for procurement. If production of pulses in the country for some years was not adequate, the com- mittee recommended even their import to fill the gap between demand and supply.

However, the government policies in the past few months had undergone some changes. Having learnt a bitter lesson from the failure of the take-over of wholesale trade in wheat, it had tried a modified version of that policy this year wherein the wholesalers and retailers had been urged to take an active part. It was too early to predict the success or failure of the altered policy of the government in regard to wheat, especially because the 1973-74 crop was reported to be lower than that of 1972-73. The commit- tee came to the conclusion that the pro- curement and distribution of a large num- ber of articles of mass consumption could be controlled through official agencies even though in recent years the incompe- tence of these agencies had been proved beyond doubt on more than one occasion. It paid little heed to the fact that state intervention in procurement and distribu- tion of so many articles of mass use was not conducive either to increased produc- tion or to equitable distribution.

While the committee had made com- petent analyses in regard to production, imports, exports, prices and marketing possibilities of products of mass use, it had failed to understand and appreciate the benefits to be derived from a competi- tive system of distribution. Canalisation of trade of goods needed by the people through state-controlled channels in the past had not only encouraged wastage and inefficiency but had proved highly dissatis- factory. Even the east European socia- list countries, including the USSR, presented outstanding examples of failure of the state agencies in the distribution of goods needed by the masses. The empha- sis of the committee on increased produc- tion was, however, in the right direction but its suggestion regarding the market- intervention operations by the state as the basic strategy of supply of essential com- modities and articles to the common man was both misguided and impracticable.

Chavan's secret treasures

STRANGELY ENOUGH, the union Finance minister, Mr Y.B. Chavan, did not indi- cate what changes in finances of the central exchequer had taken place or how since the budget estimates for 1974-75 were presented to Parliament in February this year. Normally, some indication should have been given of the actuals for 1973-74 especially as it had been claim- ed that the overall deficit had declined abruptly to Rs 320 crores from Rs 650 crores in the revised estimates for 1973-74. It is even now not clear how this substan- tial reduction could be effected though it was stated that there had been a pruning of Plan expenditure and some increase in capital receipts. What is, however, more important to know is whether actual tax revenues were in excess of the revised estimates and with larger receipts and a lower level of expenditure than postula- ed, the uncovered gap could be reduced by as much as Rs 330 crores.

Apart from the fact that there is no indication of how the financial position improved after the budget estimates were presented and the accounts for 1973-74 revealed gross errors in earlier calcula- tions, the taxpayers have not been told on the present occasion why Mr Chavan was seeking to raise additional revenues especially when attempts were being made to prune non-Plan and Plan outlay. The Finance minister has, of course, tried to say that the budget estimates relating to tax revenues may not be realised because of sluggish trends in industrial produc- tion and a contraction even in the avail- ability of excised commodities like cement. Mr Chavan, however, has been exaggerating his difficulties as *ad velorem*

prices and it is not anticipated that there will be any net reduction in the volume of goods in certain directions from indigenous sources.

Actually it may turn out that the availability of goods and services will be better than in 1973-74 because of a confident expectation that there will be higher output of steel, commercial vehicles, motor cycles, tyres and tubes, cellulosic fibres and yarn and even petrochemicals, not withstanding cost inflation. The price increases have been so steep in respect of steel, tyres and tubes and many engineering goods that it is unlikely there will be any shortfall in revenues from excise duties, as happened last year when the revised estimates were presented. There may actually be a net increase of Rs 100 crores in a year. As regards incom tax and corporation taxes the realisations will not be less. This is because many industries are reporting higher profits following revisions in selling prices. There are also brisker assessments of individual accounts. The receipts through corporation and income taxes may therefore well be higher by another Rs 100 crores over the estimate of Rs 1370 crores. Again, it has been claimed by the chairman of the Steel Authority and the chairman of Bharat Heavy Electricals that these two heavy industrial complexes will be acquitting themselves creditably in the current year. Mr Wadud Khan expects that there will be a net profit after providing for depreciation and interest charges in respect of all the three major units in the public sector while Bharat Heavy Electricals will be having a record turnover and profits.

It is not therefore quite correct to say that there will be a net reduction in the surpluses of government industrial undertakings while tax receipts may easily exceed budget estimates by Rs 200 crores. As regards the capital budget the borrowing programme through the issue of open market loans can be easily completed and even exceeded as a net amount of Rs 238 crores has already been mobilised with the issue of three new loans on July 16, 1974. The balance of Rs 260 crores can be surely raised as the liquidity ratio of scheduled commercial banks has been raised by one per cent and there has been a reassuring growth in deposits latterly. The additions to assets of Life Insurance Corporation and provident funds and trusts will be such as to enable even the government to secure an extra Rs 50 crores. As it has been actually stated that foreign aid receipts will be higher by Rs 50 crores, revenue and capital budget receipts are likely to be in excess of the estimates by Rs 300 crores.

Then there are the windfall profits on sugar exports through which foreign exchange earnings of Rs 171 crores have been already realised. As sugar producers are paid only levy prices there is easily a margin of profit of Rs 2000 per tonne or Rs 80 crores so far. How is this amount going to be utilised? Similarly, on indigenous crude oil there will be windfall profits and only recently a cess of Rs 60 per tonne was proposed by the union minister for Petroleum and Chemicals. This by itself will fetch for the government Rs 50 crores in a full year and Rs 36 crores in the current year. It is not however known how the balance of increase in the value of indigenous food production has been utilised, because the increase in realisation should be at least Rs 350 crores in a full year.

It may be that on account of inadequate neutralisation of the increase in cost of imported crude of some refineries and inadequate adjustments in ex-refinery prices for some products in the earlier months the losses arising therefrom might have been offset by supplying cheaper crude to some refineries or allowing the Indian Oil Corporation to make larger profits for being in a position to subsidise the loss of the coast-based refineries. Even so, the adjustments to the new crude price structure have been very nearly completed and with the likelihood of a further rise in ex-refinery prices for some middle distillates in the next few weeks the government is in a position to reckon on the availability of adequate financial resources for oil exploration and exploitation without relying on central revenues.

No disturbing trend is also indicated by the changes in rupee securities, holdings of treasury bills and investments held by Reserve Bank in the bills and [illegible] departments in the first four months of the current year. While it is not correct to form any definite ideas about the budgetary position through these changes it is notworthy that the net increase under these heads between March 29 and July 26, 1974, is only Rs 366 crores against as much as Rs 658 crores in the corresponding period in 1973. It may be that the delays in payment of additional dearness allowance or other factors were responsible for the smaller quantum of deficit financing in the past four months. There will also be further increases in dearness allowances in the coming months and higher food subsidy as imported foodgrains are costlier than procured indigenous foodgrains and aggregate sales may be in the region of three million tonnes calling for an additional subsidy of Rs 150 crores or thereabout. Having regard also to cost escalations in other directions there may be an increase in allocations of even Rs 300 crores for projects that are to be compulsorily executed. However, as against the aggregate increase in revenue and capital expenditure of Rs 600 crores there should be economies of at least Rs 300 crores or pruning of Plan allocations on less important projects.

It is clear therefore that the budgetary position has not deteriorated on account of recent developments and there is considerable room for manoeuvre. While an attempt has been made to raise additionally Rs 136 crores through new levies in the interim budget enabling the central exchequer to get Rs 123 crores in the current year, in a full year the yield

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stimated at Rs 232 crores with the states' aare being Rs 20 crores. The finanee ainister has obviously proposed the pre- ent dose of taxation with a view to bol- cering the budget for 1975-76 and not rengthening resources for the current ear. What exactly will be the course dopted in respect of the gap in the ailway budget is not clear. It will not be surprising if there is a supplementary railway budget in the winter session of Parliament. One only hopes that the budget proposals for the next year will not be crippling. The government has too much resources at its disposal and it should not squander them by way of unfruitful expenditure which will only result in accentuating inflation.

No enthusiasm for exports?

EXPORTERS of Indian engineering goods eave oftcn complained about the lack of aw materials and various other facilities ut now, for the first time, they have pubcly declared that they lack also enthuiasm for promoting exports. The seminar rganised by the Engineering Export Promotion Council at Calcutta on July 7, said, "There is no enthusiasm whatsoever among exporters to go in for any ype of contracting". The seminar explained that this was due to the fact that xporters had "no confidence in future" nd that they were facing numerous difficulties. The participants complained hat their claims were unsettled for months. They were not getting timely and adequate upply of steel, pig iron, aluminium and ther materials. There was a severe shortge of fuel and power and, to make matrs worse, export assistance was suddenw withdrawn or reduced.

The government of India has always laimed that it has been giving high priority for export promotion and that engineering goods have been given special attention in view of their excellent growth prospects. But the fact that, in the first year of the fifth five-year Plan, the exporters of ngineering goods openly expressed their ack of enthusiasm and "no confidence" in the future reveals to what extent the overnment of India has failed to provide roper and timely assistance to one of the most important sectors of our exort trade. One can understand the government's difficulties arising from facors beyond its control such as the scarcity of imported materials and excessive shiping freight rates. But there are numerous other areas where, surely, official policies could have been constructive and helpful to exporters. The seminar concentrated on the problems of exporters in the eastern region but these were, to a large extent, relevant for the other regions as well.

The credit squeeze was one of the major points highlighted at the seminar. The government of India and the Reserve Bank have always maintained that adequate credit has never been denied or made difficult to exporters. But the discussions in the seminar disproved the official claim. It was pointed out that while previously exporters got credit from the banks upto 180 days this period has now been reduced to 90 days for pre-shipment advances and 120 days for post-shipment advances. Banks have also raised the rate of interest up to 18 per cent per annum on advances beyond these periods. The seminar said that exporters of engineering goods especially small-scale industries have been "severely hit" by the credit squeeze and that "in the context of the ever-increasing prices of raw materials, stores, and other costs, the limits fixed two or three years back at this stage are good enough to take care of not more than 50 per cent of the requirement of raw materials and other obligations".

The policy of canalising the import of raw materials through the public sector agencies has also created financial difficulties for exporters. Prior to canalisation, they could plan their imports of raw materials in a phased manner. But at present the canalising agencies insist on financial arrangements to cover the entire value of the release orders. In other words, these agencies do not agree to the opening of L/Cs in stages to cover the purchase of raw materials. Because of the credit squeeze, exporters find it difficult to fulfil this condition. Recently Mr P.C. Alexander, Development Commissioner, Small Scale Industries, claimed that, despite the credit restrictions, there had been an increase of 19 per cent in the credit granted to the small-scale sector. But the seminar pointed out that the exporters of the eastern region did not benefit from this mainly because of the procedural problems and "indifference of bankers" to grant credit to exporters in this region.

The policy of giving cash assistance also came in for criticism at the seminar. Recently, the government withdrew the cash assistance available for items like steel weld mesh mild steel, transmission line towers, bright bars and shaftings, bicycle tube valves, complete bicycles, steel pipes and tubes. It was pointed out that the "sudden withdrawal" of assistance had "adversely affected" the export of these items. Could not the government have modified the cash assistance schemes in such a way as to avoid embarrassment and inconvenience to exporters? The manner in which the import duty and excise duty are refunded to exporters also continues to be highly unsatisfactory. As the seminar said, "In a large number of cases, the rates of drawback announced do not reflect the full extent of excise duty and import duty. When references are made to the drawback authorities most often there is no response from them. Some of the exporters are so frustrated that they do not take into account the refund by way of drawback in their calculation with the result that their offers become uncompetitive".

Prof. D.P. Chattopadhyaya, the union Commerce minister, who inaugurated the seminar, assured exporters that they would have no difficulty in getting their supplies of steel, pig iron and other raw materials. But considering that this problem has been persisting in an acute form for a long time, it seems doubtful if exporters can look forward to immediate and substantial relief. The seminar observed that "the policy for distribution of steel and other raw materials to units engaged in export is far from satisfactory. Allocations from the Steel Priority Committee have been, on an average, 15 per

cent. According to the present system of giving priority through SPC, it takes at least about 10 months before the steel reaches the fabricators. Owing to intense competition in overseas markets, the goods ordered have to be supplied strictly as per delivery schedules agreed with the buyers. This becomes difficult and gives rise to complaints from overseas buyers". Besides, exporters complained that they were being compelled to take delivery of steel from stockyards by paying Rs 150 to Rs 350 extra per tonne over the JPC prices. The seminar made many specific suggestions to improve the availability of steel, pig iron, BP grade coke, EC grade aluminium, aluminium of commercial grade and other raw materials.

Another major problem which was highlighted by the seminar related to availability of power. Exporters complained that load-shedding had not only resulted in the loss of production but had also damaged valuable machinery and scarce raw materials and thus prevented the execution of export orders in time. The seminar suggested that the state governments particularly of West Bengal should give relaxation in the matter of power supply to export-oriented units. The seiminar also suggested that the government of West Bengal should consider making available generators to export-oriented industries at the subsidised prices. Prof. Chattopadhyaya explained that the government of India was not keen to import generators since a large capacity of the power plants in West Bengal was lying idle.

Yet the government of India and the government of West Bengal should do something to solve the power problem in the short period if they are really serious in promoting exports from the eastern region.

The eastern region accounted for 66 per cent of India's export in 1965-66 but this came down to only 20 per cent in 1972-73. The region has considerable potential for exporting not only durable consumer goods like sewing machines and electric fans but also other items like vehicles, industrial and electrical machinery, wires and cables, railway wagons, coaches and steel structurals. The government of India has drawn up ambitious targets for the export of these items in the fifth five-year Plan. But if exporters lack enthusiasm, how does the government expect them to compe successfully in the distant and difficu markets of the world?

Tamil Nadu: taxing the landed gentry

THE ACCEPTANCE by the Tamil Nadu government of the centre's suggestion to levy taxes on the farm sector is indeed a step in the right direction, though a significant proviso that the ordinary farmer should not be affected by these taxes may considerably water down the impact of this measure. Mr Karunanidhi, the chief minister, has pointed out that the concept of an ordinary farmer would have to be determined before the tax could be levied. For instance, an ordinary farmer might normally be one who grew other than cash crops. But even among those growing cash crops there might be small and ordinary farmers. Consequently, various criteria would have to be evolved before the tax measure became a reality.

It might be pointed out that agricultural income tax has already been tried to a limited extent in this state. It was first introduced in April 1955 in respect of plantation crops, namely, coffee, tea, rubber, cardamom and cinchona. In 1958 the measure was amended to extend the levy of agricultural income tax to all other crops. It was imposed on every person holding land in excess of an exempted limit of 7.5 standard acres. The definition of 'standard acre' in relation to certain important commercial crops was restated in 1971, so that the tax could have increased correlation with income from agriculture. It was further amended in 1972 giving certain concessions regarding the conversion of ordinary acres to standard acres in respect of certain commercial crops, thereby raising the limit of exemption.

Agricultural income tax in the present form has been levied on every person holding more than 10 standard acres, provided his total agricultural income exceeds the exempted limit of Rs 5,000. Returns from this tax have been rather low. The yield was around Rs 2.18 crores in 1972-73 and it dropped to about Rs 1.93 crores in 1973-74. For the year 1974-75 the sta expects to receive Rs 2.14 crores. breakdown of the state's revenue receip shows that the tax revenue constitut nearly 50 per cent of the total, the remai ing 50 per cent being accounted by th state's share of central taxes, grants-i aid from union government and non-ta revenue. Even as a proportion of th state's tax revenue, the yield from th agricultural income tax has been abou one per cent or less.

Agricultural income tax at considerabl increased level has some justification i Tamil Nadu, because the state governmen has incurred substantial expenditure o the improvement of this sector durin the various Plan periods. It has an ambi tious programme of energising 143,00 additional irrigation pumps during th next five years so that the total could g up to 858,000 pumps by 1979. By tha year the state would have one pump ou of every four operating in this country. The annual Plan for 1974-75 provides an outlay of nearly Rs 15.58 crores for irrigation, including minor projects. This amounts to more than 10 per cent of the total Plan expenditure of Rs 150 crores for 1974-75. The state has already achieved a level of 70 per cent exploitation of the ultimate irrigation potential — a performance which compares favourably with the national average of 37.7 per cent.

The budget for the year 1974-75 also lays stress on agriculture. An expenditure of Rs 27.3 crores has been provided for agriculture in the revenue account for 1974-75 which was considerably more than Rs 23.19 crores provided during 1972-73. A large portion of this expenditure is to be incurred on soil and water conservation and for area development. Another sum of Rs 7 crores is to be spent on agricultural development including agricultural educational research, fisheries, agricultural credit and marketing. In view of the fact that the revenue account has provided just Rs 7 crores for the development of large and medium industries, minerals and village and small industries during the same year, the bias in the state budget in favour of agriculture is apparent.

FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

Fuel Efficiency • Drug Prices • Cement Output • Wheat Procurement • Pelletization Project

WITH a view to curtailing the consumption of furnace oil to the maximum extent possible, the Indian Oil Corporation (IOC), which accounts for nearly 90 per cent of the supplies of this fuel to industry in the country, has introduced a fuel efficiency service. To begin with, the service will primarily operate in Bombay, Calcutta and Coimbatore—the three cities accounting for the bulk of the use of furnace oil.

The scheme envisages :

(1) A two-week programme to be organised in the IOC organisation in Bombay for training the technical personnel of the National Productivity Council (NPC), the Directorate-General of Technical Development, and the field staff of IOC in fuel efficiency techniques, who, in turn, would assist industries in adopting these techniques—the representatives of the states of Maharashtra, West Bengal and Tamil Nadu will also be included in this training programme;

(2) Visits by joint teams of fuel efficiency experts of the NPC and IOC for in-plant demonstration of fuel efficiency techniques in the industrial units at the above mentioned centres and also big consumers of furnace oil elsewhere in the country.

The service is being provided free of charge.

It is hoped that the scheme will result in saving at least five per cent furnace oil over and above the quantities saved through the following two measures which have already been in force for quite some time :

(*i*) a general 10 per cent efficiency cut on all consumers of furnace oil, except those who have established to the satisfaction of the Standing Committee on Furnace Oil and the technical experts of the NPC that they are already achieving the maximum efficiency in the use of fuel and no further saving is possible by them;

(*ii*) a further cut of 10 per cent in supplies to industries other than the 33 industries specified in the core sector.

adequate supplies

Fuel oil supplies, however, are not being denied to new projects or substantial expansions of the existing industrial units if they are absolutely necessary for them. Even in the case of old units, some additional allocations are not ruled out if their last year's consumption was less than their normal requirements. Despite this, however, it is felt that through the measures already taken and the scheme launched by IOC, it will be possible to reduce the consumption of furnace oil by about half a million tonnes from the level of slightly over five million tonnes anticipated originally.

Since the indigenous production of furnace oil is not even three million tonnes, sizeable imports of this fuel will have to be effected. Nearly two-thirds of the anticipated imports are said to have been arranged already. It is hoped that adequate supplies would be available for meeting the requirements assessed after taking into consideration IOC's fuel efficiency drive and the curbs already imposed on the use of furnace oil.

* *

The plea of the drugs and pharmaceuticals industry for an upward revision in the statutorily controlled prices of its products is understood to have been referred by the government to the Bureau of Industrial Costs and Prices (BICP).

The BICP, it is further learnt, has been asked to submit an interim report on the issue in view of the current acute shortages of various drugs.

The production costs of the drugs and pharmaceuticals industry are said to have gone up substantially in the past six months because of the rise in the prices of essential inputs, particularly the imported ones. The prices of some of the intermediate products manufactured in the country were also raised recently. The industry has to be compensated for the escalation in the prices of the indigenously produced intermediates as well.

* *

According to the latest estimate of the union ministry of Industrial Development, the output of cement during the current calender year may not exceed 15 million tonnes from an installed capacity of 19.86 million tonnes. The normal production from this capacity ought to be about 16.8 million tonnes—on the basis of 85 per cent utilisation. Production to the extent of nearly 0.8 million tonnes had been lost during the first three months of the year, primarily due to power shortages and transport bottlenecks.

This year's demand for cement is estimated around 21 million tonnes. The output, thus, is expected to fall short of requirements by nearly six million tonnes. This presumably is the background against which measures are being devised to reduce consumption.

The serious lag in the production of cement, however, has not deterred the

union government from exporting cement. Already 26,525 tonnes of cement have been exported to Bangladesh and 100 tonnes to Maldive Islands. It is proposed to export another 175,000 tonnes by the end of the year—114,000 tonnes to Iran, 2,000 tonnes to Muscat, 30,000 tonnes to Bangladesh and 29,000 tonnes to Dubai.

The export contract with Iran, of course, is for 300,000 tonnes. The supplies in excess of 114,000 tonnes are to be made available between December, 1974, and July, 1975.

* *

The minister for Agriculture, Mr C. Subramaniam, indicated in the Lok Sabha this week that in view of the trade having failed to fulfil its commitments, the government would review its present wheat procurement policy next year. He admitted that the supply of grains for the public distribution system was not adequate, although the availability in the open market was somewhat better than last year. Any procurement system to be effective, Mr Subramaniam added, had to strike a balance between the demands of the various sections of society. The government intended to evolve a coordinated policy for production, procurement and distribution.

The minister of state for Agriculture, Mr A.P. Shinde, has disclosed that the government is actively considering the linking of supplies of farm inputs such as fertilisers to procurement of foodgrains in areas where it has not been done as yet. It is also bestowing thought on the feasibility of recovering land revenue in kind. Acharya Vinoba Bhave's suggestion to the Prime Minister that one-sixth of the yield of foodgrains should be collected in kind by the government too is being considered.

Meanwhile, it is feared that the last wheat crop might fall short of the 1973 output by about two million tonnes. A firm estimate of the crop, however, has yet to be arrived at.

In view of the current difficulties on the food front, knowledgeable cricles do not rule out a raise in the procurement prices of kharif grains. The state governments are understood to be clamouring for an early decision on the issue; they are said to be feeling that it has already been delayed.

The popular belief that there were serious lapses and irregularities in the implementation of the Emergency Agriculture Production Programme (EAPP), which was launched by the union ministry of Agriculture during the 1972-73 rabi-summer crop season is understood to have been confirmed by the Comptroller and Auditor-General of India. This programme had been organised to achieve an additional 15 million tonnes of foodgrains production during the 1972-73 rabi-summer crop season to make up for the shortfall of about 12 million tonnes in that year's kharif crop as a result of drought. A sum of Rs 250 crores had been allocated to state governments for implementing the programme.

In a review of the programme, the Comptroller and Auditor-General is said to have pointed out instances of faulty planning and haphazard execution in several states which resulted in wastage of a sizeable amount of public money. A pertinent example of the misuse of these funds that is said to have been pointed out is that instead of purchasing rigs for tubewells, the Bihar govrnment went in for buying some cars.

The results of the crash plan, therefore, were much below expectations. Instead of showing an improvement over the previous year, the production of foodgrains in the EAPP year actually went down by about four million tonnes.

The programme envisaged increasing of the area under wheat from 19 million hectares to 23 million hectares to achieve an additional 8.4 million tonnes of whea production. The area under summer ric was to go up from two million hectares t 3.2 million hectares to yield an additiona 3.5 million tonnes of rice. The output of pulses and rabi jowar were also to g up considerably. State-wise targets o area and output were fixed by the unio ministry of Agriculture. The states were to spend money to augment irrigation faci lities and arrange inputs and loans to far mers. Senior officers of the Agriculture ministry were appointed as area officers for specific groups of states to watch the progress of the programme.

* *

The Steel Authority of India has approved in principle the establishment of a two million tonnes pelletization plant at Donimalai, in the state of Karnataka. The project is estimated to cost Rs 35.98 crores. Global tenders have been invited for the supply of equipment and machinery not available within the country. Donimalai is stated to have been chosen as the site for the project as besides fines, adequate quantities of power are available in Karnataka.

The Donimalai deposits are envisaged to yield annually four million tonnes of iron ore. The exploitation of these deposits, which was to start this year, however, has been delayed by about 24 months due to the difficulty in arranging foreign exchange required for payment to consultants and also for the import of some equipment.

Eastern Economist 30 Years Ago

August 18, 1944

The second method adopted has been to guarantee prices for food crops. Even in May 1942 the government had declared that they would buy such quantities of foodgrains in the open market as would prevent a serious fall in prices. In April, 1943 it was further made clear that, if during the war and for one year thereafter the prices of foodgrains fell below a level which could give a reasonable return to the cultivator, government would intervene and buy at fair prices all foodgrains offered to them in the open market. In conformity with the above order, the government announced that they would purchase all wheat offered to them at Rs 7-8 a maund till the end of March 1945. A similar guarantee was extended in May 1944 in respect of JOWAR, BAJRA and maize at Rs 5-8, Rs 6 and Rs 6 respectively. Bombay guaranteed higher prices for these foodgrains as compensation for the compulsion it had introduced in pursuance of its policy of "Grow More Food."

Population Vs. food: a global challenge

Hari Sharan Chhabra

It WAS the British economist, Thomas R. Malthus, who for the first time in 1798 came out with his thesis that the population of the world increases more rapidly than food supplies. This thesis had a profound effect on the thinking of demographers and agricultural economists and has been the subject of much discussion since then. Decades after Malthus, Sir William Crookes, a British agricultural scientist, propounded the theory that there seemed to be no possibility of increasing the wheat producing areas of the world sufficiently to provide for the needs of the rapidly increasing population of bread grain eaters.

frightening prospect

In spite of these discouraging statements, agricultural scientists the world over have gone all out to invent new and successful techniques to boost farm production. Their efforts have, however, been practically undone by the ever-rising population and the problem of food still remains unsolved. No wonder the Food and Agriculture Organization has been seized of the matter of population and food supplies since its birth. The prediction of UN experts in 1958 that the world population, then estimated at 2,787 million (but was subsequently known to have been actually 2,893 million) would reach the frightening figure of six billion by the beginning of the 21st century, made the world leaders sit up and think of the future.

What is the position today with regard to food availability? Mr Addeke H. Boerma, FAO's Director General declared in the FAO's annual report, *The State of Food and Agriculture 1973* (*SOFA*): "The world food situation in 1973 is more difficult than at any time since the years immediately following the devastation of the second world war."

Tables I and II give a picture of the population in 1971, the growth rate and the estimates of 1980, 1990 and 2000.

TABLE I

Region	Population in million 1971	Annual rate of increase 1965-71
Africa	354	2.6%
America	522	2.1%
Asia	2104	2.3%
Europe	711	0.9%
Oceania	20	2.0%
Total	3711	2.0%

TABLE II

Population Estimates by Regions

(In Millions)

	1980	1990	2000
Africa	457	616	818
America	638	799	986
Asia	2581	3177	3778
Europe	768	835	898
Oceania	24	30	35
Total	4468	5457	6515

Source : Projections prepared by the UN Population Division.

Tables I and II will make it clear that the world population is reaching the limits of an explosion. The picture is more alarming if one looks at the food situation closely. The position will be better understood from Table III.

TABLE III

World Production of Selected Commodities

(in million tons)

Commodity	Average (1935-39)	Average (1956-58)	1965	1972
Wheat	166.0	209.6	275.5	342
Rice	162.3	203.5	255.8	297
Coarse grains	240.3	308.3	381.6	630

Source: FAO

With projections for the population growth clearly known, it is important to study a little more the food position in the past two or three years and the outlook for the future. This will enable a better understanding of the problem, because while Table III shows a steady growth of food production in the past 35 years, all reports paint a gloomy picture of the food front in the coming years.

A recent report drawing on information from FAO has said that the world today faces the most critical food shortage in history. While the global food production running at 1,200 million tons has to rise 25 million tons annually just to keep up with population growth, there was a net decrease of 33 million tons — and 75 million more mouths to feed — in 1972. Prices have risen as stocks fell. The poorer countries that import food are the ones hardest hit.

decline in production

FAO Director General Boerma had earlier said that this would be the first time since the second world war that world (food) production had actually declined. Unfavourable weather — particularly droughts—caused poor harvests in many countries in both developed and developing regions, SOFA reported. Lower output in the USSR, the Far East and Oceania was not offset by a large gain in the Near East and small gains in Latin America.

World agricultural and food production was estimated to have fallen by one per cent in 1972 compared with three to four per cent gains, respectively, in 1971. With the world population growing by two per cent, food production dropped by three per cent, per person. Fishery production also dropped by about one per cent.

On the danger of a constantly growing population, Mr Boerma said: "These events are extremely disquieting. Per

capita food production in the developing countries as a whole has now fallen back to the level of 1961-1965. In the Far East it is eight per cent below the peak level of 1970 and in no developing region is it more than three per cent above 1961-65. The threat of food shortages has already become a harsh fact in the Sahelian zone of West Africa, where because of a prolonged drought up to six million people are close to famine."

spreading drought

According to reports from Africa, drought is spreading to more and more countries slowly but inexorably. Ethiopia is facing acute famine. Early signs of a possible disaster are appearing in Kenya and Tanzania. Drought conditions are also reported in portions of many other countries including the Sudan, the Central African Republic, Gambia, Cameroon, Niger, Ghana and Guinea. As many as 15 million people in the 17 countries may be in need of assistance to avoid famine. It was in recognition of the bad sitution in West Africa that UN Secretary General Waldheim paid a visit to some Sahelian countries.

Food reserves all over the world have fallen. Mainly because of massive purchases contracted by the USSR in 1972, world surplus stocks of wheat have come down to the lowest level for 20 years. Rice is also in short supply. Food prices have risen in the international market. Imports of staple cereals have become very difficult to obtain, even for those countries that can afford to purchase them out of their own foreign exchange.

On the threat of a world food shortage, Mr Boerma recently said: "It now seems clear that the lowest foreseeable wheat requirements in the 1973-74 season cannot be covered from 1973 production. This means that wheat stocks in the exporting countries — already at the lowest level for 20 years—will have to be drawn down still further. The world whose population grew 50 per cent over the same period of about 20 years, will thus be left with even less production in the 1974-75 season."

In 1967, Mr B.R. Sen, former Director General of FAO, worked out an estimate of world food requirement for 1985 and 2000. The projected world population at a growth rate of two per cent implied, said Mr Sen, that food supplies would have to be raised by 34 per cent between 1965 and 1980, and by 97 per cent between 1965 and 2000.

Are we in a position to raise food production to such proportions? The answer would be both yes and no. Speaking in elementary terms there are three ways of increasing the world's supply of agriculturally produced food. One is to increase the output on the existing land, another to add to the cultivated area and the third to extend or make better use of the foods produced. In many areas revolutionary changes are taking place. In the decade following the second world war the total output in many countries went up by 25 to 50 per cent. These increases were made possible by scientific advances and by the acceptance and application of the knowledge available. In the temperate zones better seeds, improved cultural practices and greater use of fertilizers and pesticides resulted in large yields. The new high yielding grains of 1960s which produced the Green Revolution in parts of India are proof of the possibility of increasing yields per acre. Countries such as India and the Philippines were able to achieve near self-sufficiency.

environmental pollution

Although the Green Revolution was a great step forward in its own way, it did not mark a long term solution to food shortages. The greater use of fertilizers, for example, has not only caused a rise in the incapacitating sickness known as schistosminasis, but in addition fertilizers overflowing into rivers cause contamination of the water, killing the algae fish feed on, and thus decreasing the supply of fish for food. These problems and others emphasize the basic difficulties involved in boosting the food supply by increasing yield per acre.

As regards potential land area, the soil scientist Charles E. Kellogg in 1955 summarized certain conclusions put forward in a UNESCO report. He said the acreage of cropland in the world could be increased by more than 50 per cent from 1000 million ha. to 1500 or 1600 million ha. The report indicated that while a part of this additional land lay in the temperate or cool temperate regions, most of it lay in the tropics of South America, Africa and some of the larger islands.

Much of this land, while potentially suited to agricultural use, may not be farmed for many years. In Canada for instance, there are about 73 million ha. o unoccupied land with agricultural possibilities of some sort. Probably not over quarter of that area will be brought unde farming in the foreseeable future. I population pressure becomes acute enough however, more of such land may b brought under food production.

Even the continent of Africa, where th density of population is low, does no present many prospects for a breakthrough in food. In spite of the massive inter national aid, the Green Revolution has had only a marginal effect on Africa. The underpopulated continent with good climate and land may thus continue to import food for years to come. Moreover interest in agriculture and farming is ever on the decline, because the active male population is leaving the rural areas for the towns or to mining areas in search of easy employment. In fact urban population in many African cities is increasing at an annual rate of more than 10 per cent.

The more depressing is the fact that the Sahara in Africa is vastly increasing its area. Dr Waldheim has expressed the fear that by the end of the century the encroaching Sahara might have wiped out four or five African countries from the map. The drought in West Africa has already killed or driven away part of the population and of the cattle that was their only resource.

burden of affluence

What adds to the anxiety is that while food production continues to be low, the growing affluence increases the demand for better quality of food. Apart from providing enough nutrition to the 800 million (almost one-fourth of the total world population) undernourished of the world, enough food has to be grown to meet the demands for a rich animal protein diet for the affluent. The animal protein uses up more resources than straight grain consumption. It take seven lbs of grain to produce one lb of beef, four lbs for one lb of pork and three lbs for one lb of poultry. Thus the rising affluence is adding its burden on the precarious food front.

Concern about the rising population and food requirements is ever on the increase. In the month of April this year some 1,000 prominent citizens from nearly 100 countries presented a declaration on

food and population to the UN Secretary General. The declaration, which was read by the British author and scientist, C.P. Snow, calls for nations and citizens to work together to create a world food security system.

It urges governments, organizations and the world community to give high priority to programmes which will increase the production of grains, legumes and other staple food products; recognize the interdependence of the world community and the obligation of both the developed and developing countries to assist in the funding of food and population programmes; establish adequate food reserves, which are currently the lowest in a generation; and recognize that birth rates must eventually be brought into reasonable balance with lowered death rates.

Replying to C.P. Snow, and addressing the group of prominent scientists, scholars and diplomats at the presentation, Dr Waldheim said: "The times we are living in (are) characterised by mass poverty, food shortages, and energy crisis, a continuing oppressing burden of military expenditure, inflation exacerbated by world monetary instability, and the prospect before us of a doubling of human numbers by the turn of the century".

The Secretary-General noted that a World Population Conference, the first of its kind, would be held in Bucharest, Rumania, in August, to be followed by the World Food Conference, in Rome in November. The Rome Conference, the Secretary-General said, "will present the member states of the United Nations with the unique opportunity to take immediate practical and urgently needed steps to redress a tragic situation which we can no longer afford to ignore".

"Whether or not we can increase food production depends, as the Declaration states, not on a torrent of words and resolutions, but on adopting new and tangible objectives, hammering out the global strategies needed and revitalizing the machinery to achieve them. In spite of its ideological complexity and the political and other constraints that must exist in any global body, the United Nations can and will respond", the Secretary-General added.

It is, indeed, significant that the world body is seriously seized of the world population problem and has declared the year 1974 as World Population Year. The World Population Conference commencing in Bucharest on August 19 and the World Food Conference scheduled to start in Rome on November 5, both under the aegis of the United Nations, will have to work hand in hand in their bid to meet the challenge of survival.

Role of roads in rural development

A Special Correspondent

THERE ARE now 1,000 regulated markets located in cities with populations of from 10,000 to 50,000. But the distribution system all over India is still uneven and one state alone now accounts for 66 per cent of the total number of these markets. Hence, for full coverage of all states, about 5,000 more agro-centres are needed. The development of this network would involve and depend on the expansion of the road transport system connecting each village with an agro-centre. Thus the efficient commercialisation of agriculture presupposes more regulated market towns served by a network of surfaced roads.

Actually, however, the state and district roads in India are in very bad shape. They are often waterlogged in monsoon. Narrow and bumpy, they often severely limit the load carrying capacity or the permissible speed limit of road hauliers. The condition of village access roads is so poor that motorised traffic is almost impossible. The rate of growth of bus traffic has been 10.2 per cent against 0.2 per cent of the railways and the bus traffic with similar trends in goods traffic is expected to increase by 308 per cent (against 216 per cent in 1970-71) over that of 1962-63 in the near future.

The unifying and integrating influence the transport sector exerts on the economy is again not insignificant. Hence, the report of the Committee on Transport Policy and Co-ordination of the Planning Commission has recognised the need of a more concerted attack on transport problems that inhibit agricultural development and concluded that a fast increase in road service in called for to integrate the rural sector of the economy with the urban sector.

The importance of roads in areas where intensive agricultural development plans are undertaken or where irrigation and power facilities are available hardly needs any emphasis. But in selected areas of intensive agricultural development also it is imperative to arrange for a combined farming and transport programme as roads and transport are as important in agricultural development as such inputs as seeds and fertilizers. Roads in some parts of Punjab, Haryana, UP and Tamil Nadu have transformed rural society by providing new jobs, economic or social opportunities and by stimulating exports.

At present, only one market town exists for every 300 villages with the total of such townships being 2000. For proper economic development and to serve better every group of 45 villages by a market town it is necessary to raise this number to about 14,000. At present villagers have either to go on foot to weekly or bi-weekly *hats* or at best use bullock carts for want of modern transport facilities. The development of rural roads has changed the rural societies of Punjab, Haryana, UP and Tamil Nadu while inadequacy of such roads in MP and Maharashtra makes it difficult to fully exploit their agricultural potentials.

A study of the RBI notes that the marketing of agricultural produce in Maharastra has been "pretty difficult" because of poor development of roads. Of the 34,361 villages in Maharashtra, 27,000 are off the main road system with 50 per cent of them having no approach roads to link them to the main

road and 30 per cent of villages with 2000 people or more having no access roads. Hence, Maharashtra, a pioneer in regulated marketing, suffers because out of its 36,000 villages, only 17,943 are served by regulated markets, the rest being "very far away" from the same. Only two per cent of villages are under regulated markets with approach to market towns by surfaced roads.

Yet the Ramnad-Mandapam road in south India has improved agricultural production, increased the output of principal non-agricultural crops and the value of land in the area. A 12-feet wide tarred road in Wazirpur (Haryana) has brought about significant changes causing daily flow of cash to the village through the sale of vegetables in place of procuring the same twice a year from outside. Also, a five-mile hard surfaced link road has changed the whole pattern of living in a village of Rajasthan with increase in tube-well construction and consequent sugar-cane production.

ambitious target

The Sinha committee has suggested 4,00,000 miles of low-grade all-weather rural roads at an expenditure of Rs 1,430 crores in the next 20 years (the Chief Engineers' Plan for 1961-81 as well having set the target of 4,00,000 miles) to place every village in a developed and agricultural area within four miles of a metalled road and 1.5 miles of any kind of road; semi-developed area within eight miles of a metalled road and three miles of any kind of road; and undeveloped and uncultivated area within 12 miles of a metalled road and five miles of any kind of road. With the rise in construction costs or demand for better road specifications the financial outlay for the total programme must increase. Also with the success of the green revolution, the figure of 4,00,000 miles of roads to be laid is likely to increase. A developed road transport system connecting each village with an agro-centre is the pre-requisite for commercialisation of agriculture that depends on more regulated market towns with networks of surfaced roads to enable farmers to store agricultural produce in convenient places or supply them to processing plants for the manufacture of essential consumer items.

There is a demand for a rural roads corporation which would have on it representatives of state governments as well as the central government to serve as the overall supervisory agency to ensure real road development. There should be a market fund scheme (already introduced in Haryana and Punjab) to provide additional funds to construct rural roads. It is necessary to earmark a specific amount, non-divertable to any other sector, for rural roads, form a co-ordinated committee in each state to look after rural roads, secure and guarantee rural road maintenance funds and select rural road projects on a pre-determined basis as inefficiency in economic expansion of motor trucking not only impedes growth of the national economy but also of the railway traffic.

Rural markets now remain unexplored due to high transport costs. To cover a unit of sale in rural areas, besides heavy wear and tear of vans plying on these roads, involves long distances to traverse. For instance, a sales van costs 2.5 times more than a non-mechanised salesman and the outdoor selling cost is 17 times higher.

Yet in the fifth Plan period, the allocation for road development is Rs 1,774 crores against the demand of Rs 3,229 crores. In the current year the amount of Rs 60 crores allocated is 25 per cent less than the amount available in 1973. The heavy slashing of the fifth Plan allocation will seriously affect maintenance and improvement of existing roads and deprive many villages with population of less than 1500 of the access links.

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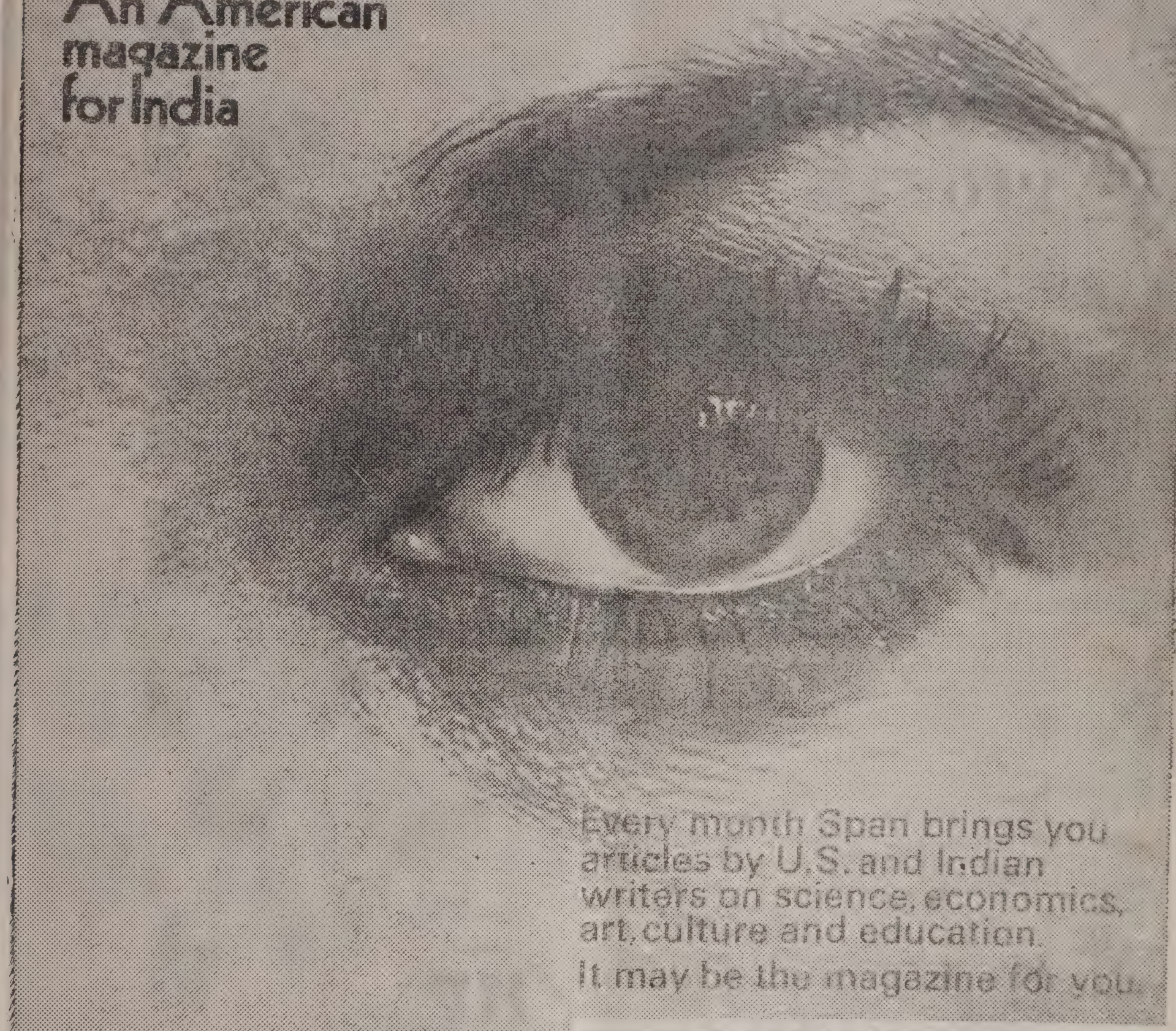
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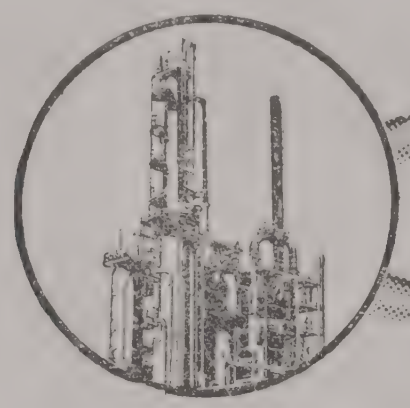
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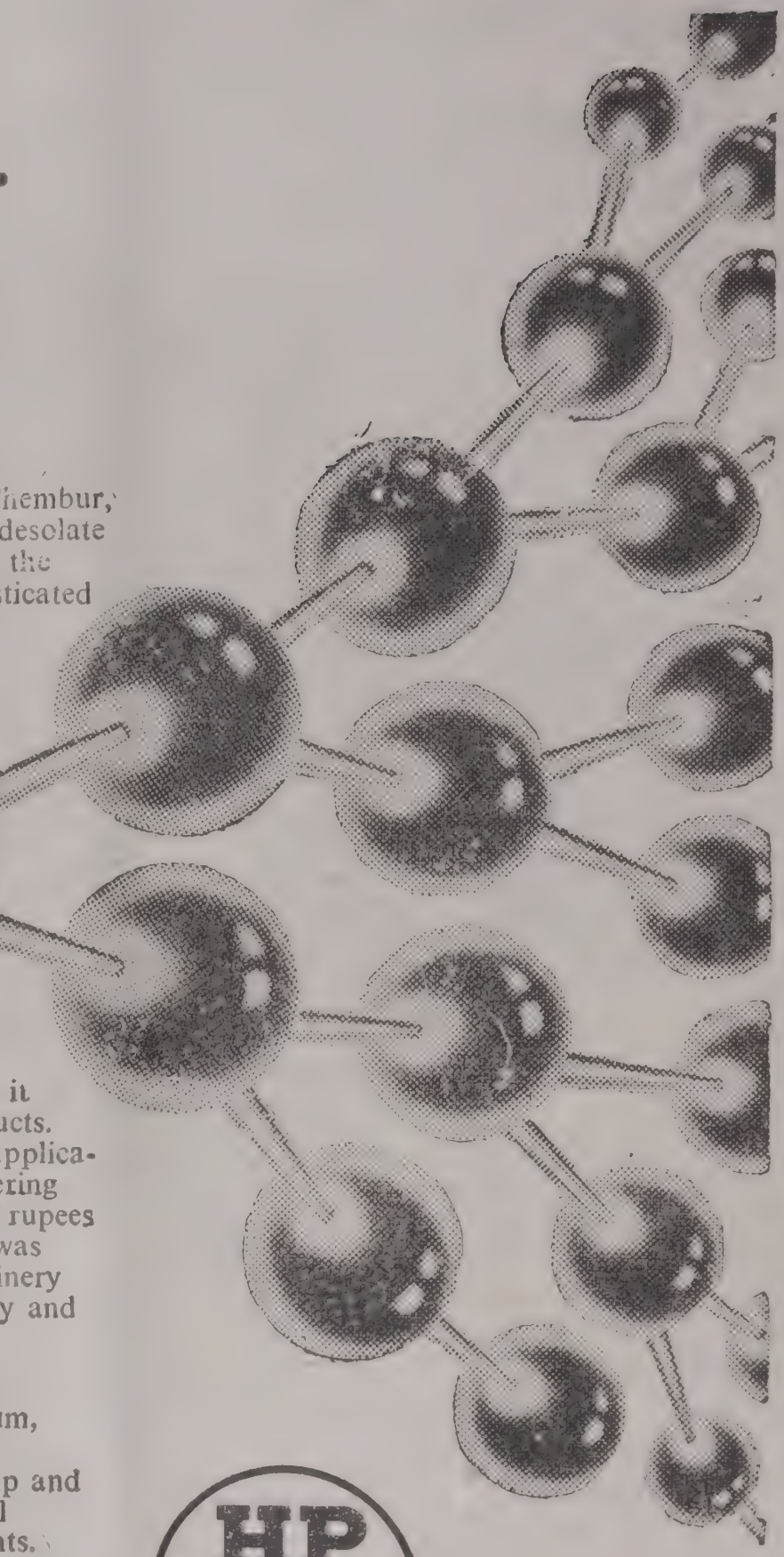
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The future is ours

The search for an enriched uranium policy

Jossleyn Hennessy

London

India and Atomic Energy

In view of India's emergence as an atomic power, Jossleyn Hennessy sent us a report on the world uranium supply situation, published here on July 5.

He is following this up with three further special reports.

Today he reviews the world research for an enriched uranium policy.

Next week he will report on France's nuclear energy policy as seen from Paris.

The week after he will explain how Japan's dependence on imported fuel is intensifying her plans to develop nuclear energy.

I

The Expansion of Nuclear Power

FOR THE last two decades it has been accepted that the next generation of European and American power stations will be based neither on oil, gas or coal but on nuclear power. At the beginning of the 1960s it was expected that nuclear power plants would spread rapidly. They did not. The cheapness and ready availability of oil proved more attractive than the heavy investment in a new and expensive technology.

The European Commission has calculated that there are 42 nuclear power stations with a total capacity of 12.2 gigawatts, (one gigawatt=1 million kilowatts) within the European Economic Community. Britain has 14 plants, expected to rise to 19 by 1980, and to 38 by 1985. France has 11 plants, and intends to expand to 23 by 1980, and to 47 by 1985. West Germany at present has 10 nuclear stations, with 23 either under construction or planned.

According to the Commission figures, the number of nuclear power plants and their capacity will quadruple over the next 15 years. This expansion coincides with similar and even more rapid nuclear developments in the USA and Japan.

The Commission is anxious to ensure that the majority of large power stations taken into service from 1980 onwards will be nuclear, and it intends before the end of 1975 to present its third nuclear energy programme to the Council of Ministers.

Although the expansion of nuclear power was envisaged before the Arab oil producers changed their production and pricing policies, the shock of that change has encouraged all the western countries and Japan to accelerate their nuclear development programmes. The dangers of relying on an external source of fuel, however cheap, had become clear. Nevertheless, the development of nuclear power could, without the parallel development of an independent source of enriched uranium supplies, lead the European powers into precisely the same reliance on an external producer as middle-east oil procurement policies did.

Enriched uranium is the basic fuel for the present generation of nuclear power stations, and is likely to remain so for most stations at least until well into the 1980s. The enrichment of uranium is the process by which Uranium 235 has its fissionable components brought about the natural level of 9.71 per cent.

Europe's source for enriched uranium has hitherto been the USA. From its three gaseous diffusion enrichment plants the USA has been almost the sole supplier. The coincidence, however, of European and US expansion led the Americans to revise, during 1973, the terms under which they would be prepared to continue to be the main source for Europe. The terms gave additional impetus to the development of a European enrichment capacity.

The three existing US plants provide some 17,400 tonnes of enriched uranium a year. Plans to increase their capacity to 27,900 tonnes at a cost of $900 million over the next eight years could be best financed by the potential consumers.

long-term contracts

The Americans therefore demanded that if the European power utilities wanted to ensure supplies from the USA before the end of 1978, they would have to sign ten-year contracts to take US enriched uranium, and these contracts would have to be signed by the end of 1973. Orders would be accompanied by deposits, and there would be penal charges for cancellation. This added 40 per cent to the charges for the fuel of the nuclear power stations.

Besides ensuring the expansion of the US enrichment plants, such a scheme would have effectively given the American dominance over the nuclear programme of the European countries. That the Americans were the sole suppliers when nuclear energy formed a small proportion of European requirements was not of such significance, but for an outside power to continue to be the sole supplier at a time of increasing dependence on nuclear power, given the success of the existing expansion plans, created a different situation in which the lessons of dependence of middle-east oil stared Europe in the face.

Although some contracts have been

WINDOW ON THE WORLD

signed with the Americans , other sources of supply have been found, especially by the West German utilities, in the USSR. But the future of Europe's enriched uranium supplies lies within Europe itself.

II

Two European Techniques

The difficulty has been that the EEC countries, and those, like Sweden that have chosen to involve themselves, have failed to agree on a single system of uranium enrichment which would economise resources and expertise. In effect, the EEC faces a choice of two techniques of uranium enrichment: (a) the gaseous diffusion method; (b) the gas centrifuge method.

There is thirty years of experience, mainly in the USA, behind the gaseous diffusion method. The fissile proportion of isotopes is increased by pumping the uranium with vast amounts of energy through membranes to reach the right enrichment level. The lighter uranium moelcules move faster through the fine pores of the membranes than the heavier molecules.

The principle of the centrifuge is that by turning the cylindrical apparatus at high speed, solids separate from liquids, or liquids from liquids. The heavier substance concentrates on the outside and the ligher at the centre. This principle is applied to uranium, the isotope separation being the basis of enrichment.

Around these two techniques two consortia have crystallised.

The first, Eurodif, is led by France, and is developing the gaseous diffusion technique. The other members are Italy, Belgium and Spain. Sweden was a member, but finally withdrew in March, officially because its long-term enriched uranium needs could be satisfied by the USA and the USSR. The second consortium, Urenco, groups Britain, West Germany and the Netherlands in the commercial development of the new centrifuge technique.

Eurodif is to build an enrichment plant at Tricastin, near the military nuclear plant of Pierrelatte in the Rhone valley. France is meeting nearly half the estimated cost of Frs. 7,000 million. Urenco, on the other hand, is working on plants at Capenhurst, south of the Mersey in Britain, and at Almelo in the Netherlands.

While both projects are moving towards production, dispute, sometimes bitter, has been going on for the last two years. The nations represented in both consortia were at one stage all involved in a Eurodif study plan. The Urenco countries, however, withdrew at the end of the study's first stage in mid-1973, on the grounds that they had heard nothing which suggested that the Eurodif project was better, either technically or economically than the centrifuge.

This split Europe into two camps.

The European Commission in November, 1973, produced a plan which would permit both technologies to be developed, the supplies from Urenco being phased in for the supply of the new European nuclear power stations later than the Eurodif supplies. This plan was in itself an acknowledgement that the national stakes in the competing technologies were too high to be reconciled into one European effort to create supplies of enriched uranium. A week after the announcement of the Commission plan, Britain, West Germany and the Netherlands invited France to join the centrifuge project provided that France dropped its plans for gaseous diffusion plant.

risks and costs

The Urenco offer was an indication of the risks and costs involved. If one project could be supported by all the EEC countries, then a market for the enriched uranium would be assured, the financing could be spread, and risks of European over-capacity and wasteful competition avoided. But this was a forlorn hope. Cooperation between the two projects now rests on the possibility of informal contacts developing into a more tangible marketing agreement.

It is nonetheless true that neither system has an overwhelming claim for European support. What has really been at issue is the choice between an assured method of production with known defects, Eurodif, and an untried method of production, Urenco, which although proven scientifically and backed by prototype development, has no background of mass commercial production. Eurodif embraced the experience of the past; Urenco represents the challenge and the risks of a new technology.

It has become clear to Britain by the mid-1960s that it was possible to use the centrifuge method and produce enriched uranium at a price comparable to that charged by the Americans. Holland and West Germany had been working on similar scientific lines, and in 1970 the three nations agreed to pursue the centrifuge project together. Their work is in advance of the Americans, who conceded that comparison, the gaseous diffusion method is obsolescent. The French accept this too.

III

Problems of Advanced Technology

The problem about the centrifuge method lies not so much in the scientific process itself as in the engineering application of it. A centrifuge plant works with many small centrifuges. One with a capacity to equal that of one of the three existing US plants might need as many as 10 million of them. These centrifuges have to be mass-produced like motor cars yet with a much higher standard of precision and reliability. They need to work at the incredible speed of 70,000 revolutions per minute and to continue functioning for some 10 years. Continual replacement would increase capital costs. The slightest sign of friction within the centrifuge could bring the machine to a stop. Alternatively, the machine could become unstable, unleashing forces which could cause damage and spread danger. It is an open question whether Europe has the manufacturing and engineering capacity to provide the amount of machines required at the requisite standard.

For the moment, it is estimated that the technology in Europe is some three to four years in advance of that of the USA. But if that lead is to be maintained then the mass-production techniques more nearly associated with companies like General Electric and Westinghouse of the USA will have to be applied. If the lead is not maintained, then the commercial advantages of the Urenco project will diminish.

For all that, it is precisely is the complications of the production engineering that the advantages of the centrifuge method are apparent. That it uses a multitude of small machines means that the production capacity can be built up to match the forthcoming demand. Capital investment can be spread over a number of years, in contrast to the Eurodif project where the capital expenditure is required for the establishment of a plant once and for all. Additionally, the power needed to drive the centrifuge process is calculated to be one tenth of that needed for the gaesous diffusion process. At a time of increasing energy costs, this is no mean advantage.

The argument against the Urenco project, from the viewpoint of Eurodif, is that once the Americans move into the

entrifuge field they will be able to swamp he less experienced production engineer f Europe. That both the Eurodif and Urenco projects are to proceed side by de makes that the more likely by removg possibility of orders from the utilities f the Eurodif partners. But these parters also doubt that the centrifuge rocess will work on the scale expected. his is not a unreasonable doubt. lthough trial centrifuges have been orking, and indeed have produced small uantities of enriched uranium for comercial use, no centrifuge has worked or as long as the ten years which may e the economically necessary life of the nachine.

Doubts about the capacity of the Urenco partners to carry through their roject on ths scale necessary to provide sole European enrichment capacity have rawn support to the Eurodif project precisely because it is a tested technique. For all that, the French admit that the Tricastin plant will probably be the only gaseous diffusion plant that Europe will build in the future. It is an interim measure with a permanent place.

To benifit from the economy of scale, a gaseous diffusion plant needs to have a capacity of around 9,000 tons of enriched uranium a year; this is the French production target for 1980. The technique demands, in the realisation of the French plan, a nuclear power plant to provide the necessary energy and this was one of the factors that Urenco partners found unattractive about the project, costly as it was.

French motives

Given the assumption that the gaseous diffusion is obsolescent, and the suggestion that it is expensive (the US Secretary of Defence, Dr James Schlesinger, thought that the gaseous diffusion method of uranium enrichment could be 50 per cent more expensive than the centrifuge process by the mid-1980s), the French insistence on pursuing the Eurodif project can be partly explained on political grounds. No European nation has been more anxious, more vocal, in asserting independence from the Americans. The exploitation of Eurodif is one way to assert that. Beyond this, however, the French gaseous diffusion techique, although the same as the American, was developed independently by the French for military purposes as an essential part of French nuclear independence. The process was expensive and the Eurodif project represents the last French chance to recoup commercially on an investment originally made for political and strategic reasons.

Faced with the necessity of building a plant that produces more enriched uranium than could be used for French domestic purposes, the French have therefore been anxious to secure firm long-term orders throughout Europe, and preferably to see in operation a system of EEC preferences. As this differs markedly from the Urenco approach, the arguments about the best technology for Europe are accompained by dispute about supply policies.

IV

Supply Policy Disagreements

The French attitude to enriched uranium recalls their attitude to agricultural production. The aim should be European self-sufficieny. Had the EEC been able to adopt unequivocal support for Eurodif, then the other EEC members would have been under a practical obligation to buy the Eurodif output. If, on the other hand, Eurodif produced more than can be immediately purchased then there should be a stockpile of enriched uranium. The Commission, in its plan of November, 1973, acceded to this and recommeded that the cost of stockpiling should be met from EEC funds.

The Urenco argument is that self-sufficiency is not as important as removing dependence from one supplier. There is not much advantage in exchanging the dominance of the Americans in the market for the dominance of the French. If the aim is to avoid any potential crippling blow to supplies, then there is no reason why there should be a restriction on imports. Nor is there any reason why an electrical utility should be forced to buy from EEC sources if these supplies are not competitive with those from outside. Further, the Urenco partners fear the cost of stockpiling that might come from possible overproduction in the early and middle 1980s. A West German estimate puts the cost of stockpiling as high as $300 million a year.

Although this dispute about supply policy has not been resolved, there is little argument about the potential size of the European market. The Commission calculates that between 1980-85 the EEC will need approximately 65,000 tons of enriched uranium, of which (at the time of the calculation in mid-1973) 50,000 tons was not covered by contracts already signed. Western Europe's total needs were put at 40 per cent more.

Once the Eurodif project is in operation it will provide 9,000 tons a year, or slightly more, making a production total, as of present schedules, of between 45 and 55,000 tons in the period 1980-85. Urenco's move to production in quantity is slower. Building up from 200 tons in 1976 to 2,000 tons in 1980, it plans a capacity of 10.000 tons a year by 1985. Assuming a total Urenco production of some 35,000 tons over the period 1980-85, and adding this to the Eurodif projection, then over that time-span there could be a total Europen enriched uranium production of 80-90,000 tons. Here, then, is the spectre of oversupply, unless a portion of the projected output can be sold to customers outside the EEC.

In the last week of 1973, however, the US Atomic Energy Commission signed long-term uranium enrichment contracts with seven Spanish utilities, three Swedish, three Swiss and one Austrian. Urenco has contracts for 60 per cent of its planned 1980 capacity from British and West German electricity boards. France, at a meeting with the association of European electricity producers at the end of 1973, found a marked reluctance to enter long-term contracts for Eurodif production.

avoiding waste

Overproduction of enriched uranium could impoverish the EEC both economically and politically. If surplus production is to be stockpiled, that will in itself be costly. At the same time, the existence of rival enrichment camps is wasteful competition, a mockery of development of a common energy policy. Yet there is another side to the question, i.e. the overcapacity of the 1980s, if the production hypotheses are correct, might well be beneficial in 1990s as a source of supply.

This speculation relates to uranium mining, the present stage of which suggests that the longer-term problem will not be whether there is too much or too little enrichment capacity, but whether there is enough uranium to enrich. The available statistics are not encouraging.

OECD figures, calculated on what is known of the planned free-world expansion of nuclear power generation between 1975 and 2000 suggest that there will be a free-world demand from the mines of 4.8 million short tons of uranium oxide. The figure of assured reserves, which can be recovered at a price of up to $15 a lb., at present amounts to 2.18 million short tons. Above that price there could be additional resources of a further two million tons.

The bulk of the reserves are in the USA, Canada, South Africa and Australia. The only sizeable European reserves are in France, although further deposits have been found in Greenland,

and the UK has several thousand tons of low-grade uranium. At present, the time-span between exploration and production at a mine is eight years, and with uranium at a price of $6 a pound, there is little immediate incentive to speed production. The uranium mining companies were caught in the 1960s by the failure of the industrialised countries to pursue ambitious nuclear power plans, and were forced to stockpile.

Europe's nuclear power programme is therefore being undertaken in an atmosphere of uncertainty. Fast breeder reactors may ultimately diminish the dependence on enriched uranium, but there seems little choice in the immediate future but to proceed with a programme of enrichment capacity that could cost $900 million over the next ten years.

Sources and acknowledgements: The foregoing summarises a report in depth in the latest issue of *European Trends* published quarterly, to subscribers only, by the Economist Intelligence Unit, 27 St James' Place, London SWIA: INT, but the EIU is responsible neither for the emphasis of my summary nor for my interspersed comments based on a variety of sources.

Not without silver lining

E.B. Brook
Vienna

SIXTY YEARS ago today Europe was in the flames of war for the first time in this century; it is now some thirty years since the second World War ended. And today sees Europe divided in opposed military and economic blocs no less potentially deadly than the old allied and central powers and the later nazi and anti-nazi forces. It sees also two conflicts on Europes borders in the near-east, in Israel and Cyprus with the two current divisions in Europe backing the oposing forces there. It sees for the first time west Europe dependent on the countries that produce oil in a world scrambling to open up new oil sources and to get nuclear power reactors into operation. It sees west Europe deeply troubled by inflation and with its greatest post war creation, the Common Market, sadly divided and disheartened by many uncertainties and disputes among its members.

There can scarcely have been in west Europe in the days since the present forms of the continent emerged with certainty any period of sixty years with more loss of life, property and monetary value. Not a happy picture and yet, despite it, no one would dream of describing west Europe as distressed, worn or more than ordinarily fearful of the future. No one would place any area of the world except the United States ahead of west Europe as the worlds most developed area or even the one with the most certain promise. Other continents have fearful trails but it is essentially west Europe that has emerged from wars, revolutions and constant emergencies with more assurance than most places elsewhere; the new world blossoms in many areas but the roots of commercial and political well-being still dwell in their native soil—of the Teutons, the Franks and the Anglo-Saxons. To a large extent it is a success story; to an equal extent one of survival.

Probably for this reason the current uncertainties about monies value; about recycling vast sums paid for industrial fuel; about the commercial groupings of nations are taken with a basic calmness that often belies the tragedies predicted in the press and elsewhere and which regularly outlives the politicians whose mistakes contribute in no small way to the emergencies. The calmness enables also the seeming contradictions of huge profits by multinational firms at a time when in several countries banks are failing, when shares are steadily falling in value and when the value of the currencies in which the profits are made is steadily decreasing to be reported calmly. At least three major west European currencies—the pound, the lire, the French and Swiss francs are in varying degrees uncertain but yet major firms and corporations profits are up this year from 11 to 14 per cent.

a sick joke

If prices of everyday necessities were never so high neither were wages; the value of money has become something of a joke—if a sick one—to such an extent that at least in Italy if one is not a millionaire one is indeed poor. The old maxims of the wisdom of saving are laughed out of court when people see their savings steadily reduced to half their real value or less. Sixty years ago when England and Germany went to war for the first time, the wise man put away steadily some savings in the bank; today his grandson spends his money before its loss in value reduces the quantity he can buy. Household ornaments that would have been considered throw-aways 60 years ago are today worth thousands of pounds and the thousand pounds of 1914 would today be worth about two hundred pound. No wonder such profound changes have brought about equal changes in human attitudes than even bank failures are taken in ones stride.

The latest studies by the World Bank into the impact of recent international economic events on developing countries are for these reasons aimed at least as much as todays new rich as at the traditional well off. The poorest 800 million people in the world will soon be earning even less than they do now unless here is a huge increase in non-profit bearing aid. Forthcoming World Bank board meetings will need to arrange to reduce much of the Banks liquidity to help stave off a threatening crisis which only steadily increasing big term aid from the industrially developed countries and the new oil rich over the rest of this decade can hope to hold in check but without making any improvement in the recipients lot.

The Common Markets' agreement at Kingston with 44 developing countries on an export earnings stabilization plan is a move—if a rather grudging move—in the right direction. Aid is self-consuming; the urgent need is the opportunity to earn and to make home industries in the newer countries commercially worthwhile on a world scale. The European countries and the USA had to fight their way up also in the last century but they did not to so in days when an agreed price halved in value between the contract and delivery dates. Even now the earnings are not protected against the devaluing effects of inflation but at least the opportunity to earn has been agreed upon.

In the matter of aid the Market was willing to give not much more than a quarter what the 44 developing states asked for but their attitude is no worse than that of most of the oil producing countries who are devoting most of the loans from their new and steadity growing wealth to development and industrial plans in less fortunate Arab countries. The oil exporting OPEC and other countries will within a decade, at anything like present oil prices, accumulate money reserves of over $1,200 billion. Although several of these heavily-earning countries have immense absorptive and spending capacity at home the long term prospect is that of massive outflows of funds in some form and the seriously affected poorer countries would be the most economically just and socially the safest areas for assistance. At the moment the happiest sign is that some oil-rich nations are beginning to move money in to longer term deposits abroad instead of very short-term lending.

Last Week, in the Lok Sabha, Mr Raj Bahadur, when twitted with being a 'yes-man' in the cabinet, replied that he was proud to play that role in relation to Mrs Gandhi. There is no accounting for tastes, but a minister, who is also an elected representative of the people, certainly has some accountability towards the electorate. It is too late in the day to try to educate the minister for Civil Aviation in the science or philosophy of politics and there was of course no need at any time for anybody to teach him the art of politics. It would therefore be pointless to refer him to Edmond Burke's dissertation on the nature of a legislator's rights and duties — whether a legislator is a senator or a representative —, but in the light of his admission that he is (and proud to be) a 'yes-man' in the council of ministers, it is certainly in order to ask him whether he is not downgrading the status of a member of parliament as well as that of a minister.

In a party system of government it is indeed permissible to a minister to say that he is a loyal follower of the party or its leader and a minister certainly is expected also to accept the leadership of the prime minister in the government and faithfully discharge the obligations of that acceptance. But any self-respecting person, whatever his office or station, can only demean himself and the position he occupies by declaring that he is a 'yes-man' and proud of it. It may be that Mr Raj Bahadur said this merely as a debating point. Even so his observation did no credit either to himself or to the prime minister who has been accused of packing the government with her 'yes-men'.

Some may suggest that if Mr Raj Bahadur was being humble, it was only because he had so much to be humble about. But, then, not all of his colleagues seem to be equally aware of the worth of their respective selves. Take, for instance, Dr Karan Singh, the minister for Health and Family Planning. As minister for Civil Aviation he did virtuacipline in Indian Airlines and it was only after he was shifted from that portfolio that it became possible at all for the management to think in terms of establishing its right to manage. In his present charge again Dr Karan Singh has certainly not distinguished himself either as a creative policy-maker or as a purposeful administrator. On the contrary, the higher direction in his ministry, as is well known, has been reduced to a shambles.

Family planning, above all, requires a leadership team constituted by a first rate minister, an equally first rate secretary and a comparably effective commissioner. Dr Karan Singh is anything but a first rate minister and as for the other two they do not even have a chance to prove themselves so long as they are burdened with their present minister. There have been reports that the prime minister is aware of and is unhappy about all this. Against this background the following extract from a report in *The Guardian* from its New Delhi correspondent about Dr Karan Singh's optimism about family planning in our country makes strange reading:

> "The optimism, he (Dr Karan Singh) told me had three grounds. First, the facts are so grim that we have at last realised something has to be done in earnest. Second, our new five-year plan is the first to make a systematic assault on rural poverty, and poverty is the basic reason why people have too many children.
>
> "Finally, we'll succeed because I'm the minister."

Dr Karan Singh has gone to Bucharest to attend the World Population Conference. He has certainly earned this trip by his cheek and since he is not averse, evidently, to spending time abroad, Mrs Gandhi may perhaps very properly reward him further by naming him amnext.

Mrs Vijayalakshmi Pan- dit recently said at a meeting — it does not matter when, where or which was the audience — that bogus holy men from India, operating in foreign countries such as the United States, were bringing a bad name to Hinduism as well as the culture of our land. Some of us may be tempted to think, however, that the harm these people may be doing may not be much greater than what some of the assorted ambassadors, high commissioners or lesser fry in our missions abroad had done or are doing. So far as morals or manners go, many professional diplomats are no better than these professional saints. It could at least be said of the touring *gurus* that, on balance, they are perhaps *earning* some foreign exchange for our country directly or indirectly.

While on this subject of export of religion, I would like to talk of the craze for building Hindu temples abroad. Work on a temple for *Vigneswara* seems to be well advanced in New York. Meanwhile plans are afoot for the construction of a temple for *Venkateswara* (*Balaji*) at Pittsburg, also in the United States. Finance for the New York shrine seems to have been collected both in the United States and India through the energetic offices of Mr C.V. Narasimhan, Under-Secretary-General for Inter-Agency Affairs and Coordination at the headquarters of the United Nations.

Mr Narasimhan has been abroad for so long that it is reasonable to speculate whether he has any intention of returning at all to the land of his forefathers for spending the evening of his life. Quite possibly, having a Hindu shrine in New York might make it easier for him to contemplate settling down in the United States. Incidentally, quite a few influential people in our country, including some vigorous individuals who are holding positions of varying degrees of importance in the central government or elsewhere seem to have associated themselves with Mr Narasimhan's fund-and-foreign exchange-raising project.

As for the Pittsburg scheme, the Tirupati Devasthanam is reported to have decided to make a contribution in the form of slabs required for the construction work and idols to be installed in the proposed temple. This Devasthanam is said to have donated earlier several lakhs of rupees to the New York temple.

MOVING FINGER

V B

TRADE WINDS

Not One World, Surely

It's A strange world, indeed. New Delhi has denied that it is seeking concessional food imports from the US, but at the same time it has let it be known that it is negotiating with Moscow for a two million-tonne wheat loan. The prime minister has advised housewives to buy only when they must and only what they need—as if they could at all do anything else with *those* prices and with *their* housekeeping money. In Britain, of all places, women queuing up before a supermarket in Derby to buy sugar began to fight among themselves and the police had to be drafted to help restore order and the House of Commons learnt from Mrs. Shirely Wil liams, Minister for Prices and Consumer Protection, that the practice of some shop-keepers, who sold sugar only to customers buying a minimum quantity of other goods was not illegal—our MRTP divinities, please note.

In the north-central African bush and across the savannah on the fringe of the Sahara desert, African men and women, in their hundreds of thousands have been dying of starvation and disease, while the African governments concerned have remained largely indifferent and international agencies, UN or other, have only grudgingly intervened, doing too little, too late. And, yet, it is on this very same planet earth that a beef mountain, no less, has been piling up to a monstrous total of 130,000 tons in the affluent cold storages of the European Economic Community, with Brussels heaving a sigh of relief over its sale of 50,000 tonnes of meat to the Soviet Union at an estimated cost of £16 million to the Community's farm fund and the EEC's Agricultural Commissioner urging Community housewives to go out and buy as much food as possible, as soon as possible, for, although beef and pork prices have been levelling off at the moment, they may rise sharply over the next 12 months—a different kind of exhortation from Mrs Gandhi's.

Meanwhile, reacting readily to the White House announcement that President Nixon had at last decided that it would be wise to go while the going is good, the US dollar rose briskly against major European currencies in the course of transactions in London, Frankfurt and Zurich on August 8. The trend has been maintained since, but it is too early to say how firmly based it is on confidence in the United States and western Europe that Washington would be more successful in licking domestic inflation under Mr Nixon's successor than it has been when the departing President was at the helm of affairs. Nearer home, the Eonomic Affairs Secretary in the Finance ministry in New Delhi has given short shrift to a suggestion made by a former holder of that office, Mr I.G. Patel (now Deputy Administrator of the UN Development Programme), that it is time for the Indian rupee to opt for a controlled float. This is understandable if only because the government of India's current preoccupation is with the prevention of officials of the Reserve Bank conspiring and colluding with curency smugglers in fraudulent remittances abroad.

In any case, New Delhi will certainly be justified in worrying more over the prices at which wheat or rice sells within the country than the price which the rupee fetches at the foreign exchanges. Between June 8 and July 6 of this year the wholesale price index for Food Articles rose from 347.4 to 360.2, whereas a year earlier the index had stood at 287.3. Other categories of prices, however, had remained relatively stable during June and the general index of wholesale prices, itself, went up only from 303.5 for the week-ended June 8 to 310.2 for the week-ended July 6. The government mounted it's anti-inflationary offensive in the first week of July with the promulgation of ordinances impounding increases in wages or restraining dividends. Current estimates of the outlook for the kharif crops are reasonably encouraging. Provided New Delhi succeeds in improving the availability of fertilizers for the farms and power for both irrigation and industry in the coming months, some impact may yet be made on inflation. It is also essential, of course, that the hard money policy now being implemented should eliminate the excessive liquidity in the economy without denying the necessary bank credit for production, exports or even quick-maturing investment projects.

Committee for Project Exports

An inter-ministerial committee, under the chairmanship of Mr R. Tirumalai, Additional Secretary in the ministry of Commerce, has been set up for prompt disposal of proposals relating to 'Project Exports'. The committee will include representatives of the Finance, Industrial Development and other administrative ministries concerned, Director General Technical Development and Chief Controller of Imports and Exports. Director (Engineering Promotion) in the ministry of Commerce will be the Member-Secretary. This provisions was made in the Import Trade Policy, 1974-75. Under the provisions, the organisations and firms intending to undertake 'Project Exports', for which they want benefits under the policy and other facilities, are required to furnish information pertaining to their project to the ministry of Commerce (EP Engineering Section) with a copy to the Chief Controller of Imports and Exports.

The government attaches great significance to 'Project Exports' and turn-key jobs, especially in the engineering for which there is great market potential abroad. Intending participants in the 'Project Exports' may furnish full data of the project and also specify particular difficulties or points for clarification or decision and seek the assistance of this committee on any matters requiring the decision of the government.

New Board for IISCO

The union minister of Steel has announced the setting up of a six-member board of management for the Indian Iron and Steel Company. Mr Arvinda Ray, custodian, and Mr N. R. Datta, former general manager of the IISCO and till recently adviser to the Burnpur plant, had resigned from their jobs a few days ago necessitating the formation of the board. Mr Hiten Bhaya, Chairman of SAIL, will also be the chairman of the board whose other members will include: Mr A. C. Banerjee, Director (Technical) SAIL, Mr S. S. Sidhu, Joint Director, Department of Steel, Mr M.N. Dastoor, Mr G. N. Joshi, Chartered Accountants and Mr Gopeshwar, Joint Secretary, National Metal Workers Federation. Mr Gopeshwar is an INTUC leader and his inclusion in the board possibly indicates the government's keenness to improve the industrial relations.

During the recent debate in the Rajya Sabha over the IISCO (Taking Over Management) Amendment Bill, some members had been critical of the continuing losses and mismanagement of the Burnpur plant and the functioning of the custodian appointed by the government in 1972 when the management of the IISCO was taken-over. The one

million tonnes IISCO plant is currently operating at less than 60 per cent of its capacity. A sum of Rs 48 crores is proposed to be spent on rehabilitation and modernisation of the plant and this is expected to raise the production to one million tonnes. More members are likely to be included in the board in the near future.

Panel for Credit Control

The Reserve Bank has set up a 12-member study group, under Mr P. L. Tandon, chairman of the Punjab National Bank, to suggest measures for proper follow-up and supervision by commercial banks of the credit extended by them. The study group's appointment is a sequel to the criticism that the banks exercise very little control over the purposes for which the credit is used by the borrowers, leading to widespread misuse of credit. The group, which consists of representatives of commercial banks, industrial credit institutions, management institutes and also corporate borrowers, held its first meeting recently. It has been asked in particular: (1) To make recommendations for obtaining periodical data from borrowers regarding their business and production plans and credit needs which would enable banks to formulate their own credit plans more meaningfully. (2) To suggest norms, for inventory holding by industries in both private and public sectors with the use of bank credit. (3) To indicate the modifications required in the existing pattern of financing the working capital requirements of borrowers by cash credit overdraft system.

Cabinet Committees

Power Development

A cabinet committee has been appointed to speed up development of power and to remove bottlenecks that have been impeding the growth of this vital sector of the economy. The committee headed by the union minister for Steel and Mines, Mr K. D. Malaviya, comprises of minister for Railways, Mr L.N. Mishra, minister for Petroleum and Chemicals, Mr D.K. Borooah and minister for Irrigation and Power, Mr K. C. Pant. Prime Minister, Mrs Indira Gandhi has directed the committee to ensure that the power development was not hampered because of any avoidable delays. All problems relating to power development arising from any of the concerned ministeries would be discussed at this apex cabinet committee.

Steel and Mines

Prime Minister, Mrs Indira Gandhi, has set up a new committee of the union cabinet to keep a close watch on the implementation of development programmes relating to steel and mines. Headed by the minister for Steel and Mines, Mr K. D. Malaviya, the committee comprises of Mr T. A. Pai minister for Heavy Industry, Mr L. N. Mishra, minister for Railways and Mr K. C. Pant, minister for Irrigation and Power.

Indian Exhibition at Bangkok

An exclusive 'Indian Trade and Industries Exhibition' will be held at Bangkok (Thailand) during January-February next year. The ministry of Commerce will organise this exhibition. The object of this exclusive exhibition is to project the image of modern India as an emerging industrial nation and her growing potentialities to meet the requirements of the South-East Asian region. The exhibition will provide a good opportunity to the Indian manufacturers and exporters to establish contacts with their Thai counterparts for trade as well as for setting up joint ventures. The government will extend necessary facilities to the Indian manufacturers and exporters for participating in the exhibition. The facilities include exemption of the exhibits and samples from customs, octroi duty and export control formalities and also recommenda

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tions to the Reserve Bank of India for release of foreign exchange for representatives of the firms participating in the exhibition. The exporters and manufacturers who intend to participate in the exhibition can get detailed information from the Director of Exhibitions and Commercial Publicity of the ministry of Commerce.

Oil Drilling

The Oil & Natural Gas Commission has released two locations for drilling in Himachal Pradesh on the basis of geological surveys. Stating this in an answer to a question in the Rajya Sabha recently, the minister for Petroleum & Chemicals, Mr D. K. Borooah, stated that one of the locations was at Ramshahr in Solan district and the other at Changer Talai in Bilaspur district. The minister stated that surveys of the area had led to the discovery and delineation of an anticlinal structure. The location at Ramshahr would be drilledupto 4000 metres to test the oil/gas prospects of the structure.

In a written answer to a question the minister of state for Petroleum & Chemicals, Mr Shah Nawaz Khan, stated that the drilling at Shumarwali Talai-2 near Jaisalmer was being continued. The well had been drilled to a pot depth of 2172.25 metres as on July 27, 1974. The projected depth of the well was 3500 metres. The minister added that drilling operations in this well were expected to be completed within six months.

Ore Exports from Goa

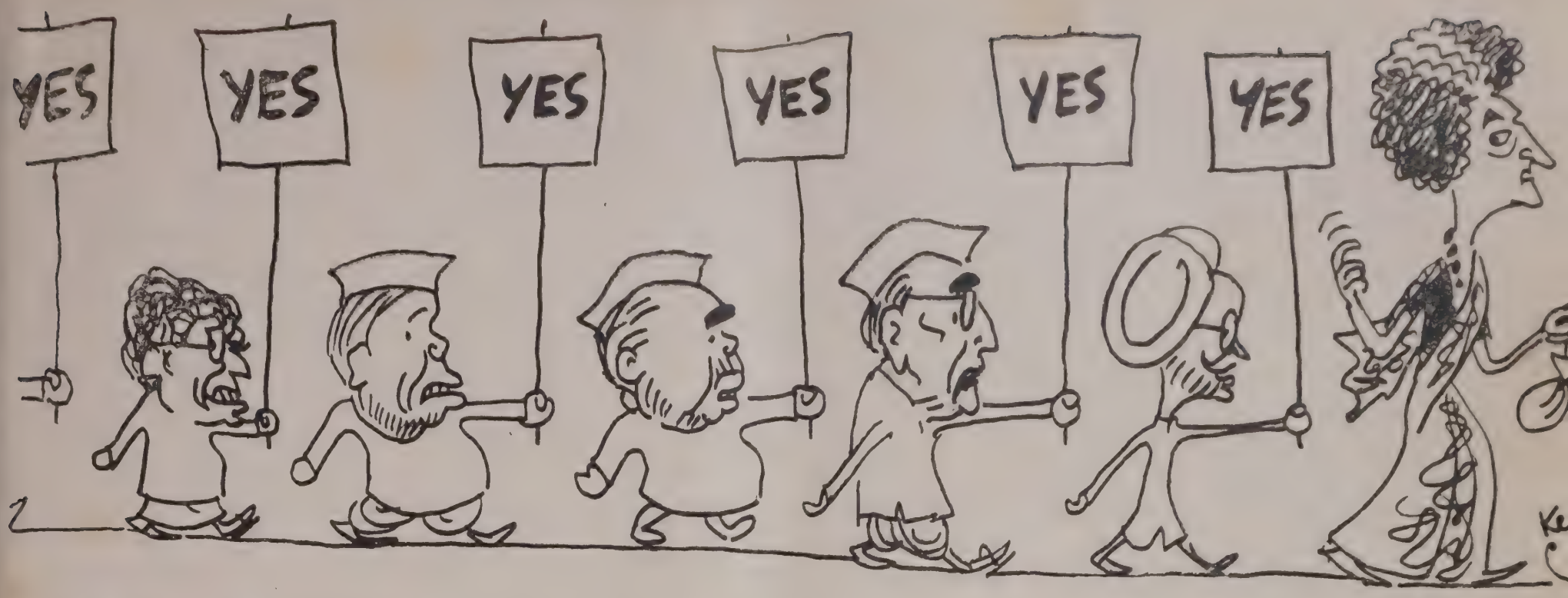
The Minerals and Metals Trading Corporation (MMTC) will conduct price negotiations for iron-ore exported from Goa as is being done in the case of ore exports from other regions. This decision of the government was conveyed recently to ore exporters of Goa when they met the union minister for Commerce, Mr. D. P. Chattopadhyaya. The measure, short of total canalisation, is being taken with the prime objective of securing higher unit value realisation. Presently, exporters from Goa are negotiating their own price for export contracts.

Names in the News

Mr J.M.L Tambi, President of the Federation of Associations of Small Industries of India, has been nominated as a member of the Central Small Scale Industries Board. He has also been appointed as chairman of the standing committee of the board on export promotion.

The Associated Cement Cos. Ltd, has announced that **Mr Kamaljit Singh** has been appointed as Managing Director designate. He joined from August 1, 1974 as Executive Director and will take over from **Mr P. K. Mistry** as Managing Director on April 2, 1975 with the approval of the shareholders and the government of India. Mr Mistry who retires on April 1, 197 was Managing Director Cement Agencies Ltd., fro 1967 until the abolition the Managing Agency Syste in April 1970, since then has been Managing Direct of the ACC. Mr Kamalj Singh served Burmah-Shell f nearly 28 years. From 1966 t recently, he was the Managi Director of the Indian Oil Co poration's Marketing Divisio





Mrs Gandhi could make this day memorable

V. BALASUBRAMANIAN

WHENEVER SHE IS addressing the people on the government's policies for dealing with the economic crisis, the prime minister has been saying quite appropriately that inflation and production are two problems which are in the forefront of national priorities. It would be equally appropriate were she to recognize and declare on an occasion such as the Independence Day anniversary that one of the country's main and urgent preoccupations should be with the issue of clean government. Unfortunately Mrs Gandhi does not seem to be inclined to think along these lines.

On the contrary, only a few days ago she bluntly rejected complaints or charges of political graft or corruption which are being made from time to time against members of her administration and arbitrarily declared that the matter needed no further examination since her ministerial colleagues had been periodically submitting to her returns of their assets and that she was completely satisfied that they were a set of sea-green incorruptibles. Worse still, a courageous member of her own party, who has felt it his moral responsibility and public duty to ask that the party's nominee for the office of president should publicly declare his assets in view of certain reports which have been circulating about his financial past, has been fiercely rebuked by her for his anti-party activities and he is perhaps in some danger of being ostracized or otherwise punished by the party machine.

It may be assumed, possibly, that Mrs Gandhi and her government are really in earnest about arresting the inflationary rise in the price level, eliminating shortages of essential commodities and manufactured goods and generally rescuing the country from economic stagnation and setting it once again on the path of development and social welfare. After all Mrs Gandhi's continued hold on her party or her party's continued grip on power would depend on their being able to bring about through sound economic policies some improvement in the circumstances of the economy or the living conditions of the people. It is true that there is no visible rival force in the politics of the country which is strong enough to challenge effectively the political base of her party or her own place at its power centre. This, however, cannot, by itself, give her indefinite protection since a day must come when the people may even decide to experiment with chaos as an escape from the debris of their decaying hopes and expectations.

One can therefore be reasonably certain that, if only because of where her political interests or those of her party lie, the prime minister must really be concerned about the economic difficulties facing her people and anxious to explore effectively ways and means of easing or removing them. Granted this, it should not be difficult for Mrs Gandhi to realise that ordinances or new taxes by themselves cannot transform the economy from an ailing patient to a robust and active performer. After all it is not as if the various economic policies or measures initiated from time to time, however incomplete or deficient in details, were always so wrong-headed that the country had to descend necessarily into its present state of economic decline. Quite clearly, political graft and corruption in administration, both encouraging and contributing to lapses and inefficiency in the functioning of the government, have all along been substantially responsible for the deceleration and the subsequent decline of the processes of economic development. Therefore, even in terms of Mrs Gandhi's own dictum that the country's main concern should now be with inflation, prices and production, it becomes reasonable to argue that no worthwhile progress is possible unless a certain degree of clean government is secured in the first place.

It may be that neither the press, nor those two organs of the state, parliament and the judiciary, which are partners in government with the executive, are adequately motivated or sufficiently strong in our country at the present time to force the ruling party or its leaders to subject themselves or their actions to the scrutiny of public purpose as has been so dramatically done in the United States over many months. But the longer or more stubbornly the prime minister insists on ignoring the discontent there is in the country with the moral standards of her administration, the greater the risk she is running of breeding and feeding

xtra-constitutional tendencies r reactions in the body olitic.

More immediately, so long s public respect and trust in ne purity of her administration ontinues to be minimal, as it s at present, her economic poli- ies, even if they are sound in hemselves, will neither secure he needed public cooperation ior even compel passive accep- ance. Whether the prime ninister likes to admit it or not, here have been persistent sus- picions in the country about the inancial probity of many of her colleagues who were or are nembers of her council of ninisters and the fact that even nembers of parliament have iot been able to obtain promp- ly information about such matters as the government's alleged involvement in what has come to be known as the "Maruti affair" has done noth- ing to enhance the credibility of the prime minister's own sweeping testimony to the integ- rity of each and every one of her ministerial colleagues, past or present. This being the case, it would surely have been wise of Mrs Gandhi had she availed herself of the opportunity to clear the air which has been offered by the current demand that her party's nominee for the president's office should make a public declaration of his assets. By this one gesture the prime minister could have effectively established a claim that her government is deter- mined that not only Caesar's wife should be above suspicion but also that Caesar's wife should be seen to be above sus- picion.

It may be argued perhaps that there is no precedent for asking a candidate for the president's office to make a public declaration of his assets. But then, precedents are never heaven-born; they have to be created, often deliberately. In the US political system there is a pro- vision for the president's nomi- nees to offices of state to be subjected to detailed investiga- tion and examination at senate hearings specially held for the purpose. In our country, al- though there is a constitutional fiction that the president ap- points the prime minister, what is actually happening on the pre- sent occasion is that the prime minister has nominated and will virtually be appointing the president. It would therefore be politically realistic and morally justified to treat the ruling party's candidate for the president's office as the prime minister's appointee and to re- quire of him that he should set a healthy democratic prece- dent by complying with reason- able public requests for rele- vant information about him.

Mrs Gandhi, undoubtedly, is right in complaining that some politicians or political parties have reasons of their own for seeking to embarrass or oppose her party's candidate. But the best way to deal with such partisan tactics or pur- poses, surely, is to go more than half way in satisfying pub- lic opinion that it is being taken fully into confidence about the utter wholesomeness of the credentials of the ruling party's choice for the office of presi- dent. Several Independence Day anniversaries have come and gone and in the case of most of them there has been nothing to tell them apart from any other day in the calendar. Mrs Gandhi will be doing a great service to the spirit of August 15, 1947, if she were to take now a giant step for- ward in convincing the people of this country that she shares their feeling that even the pri- vate affairs of public men could in certain circumstances be a proper object of public inte- rest.



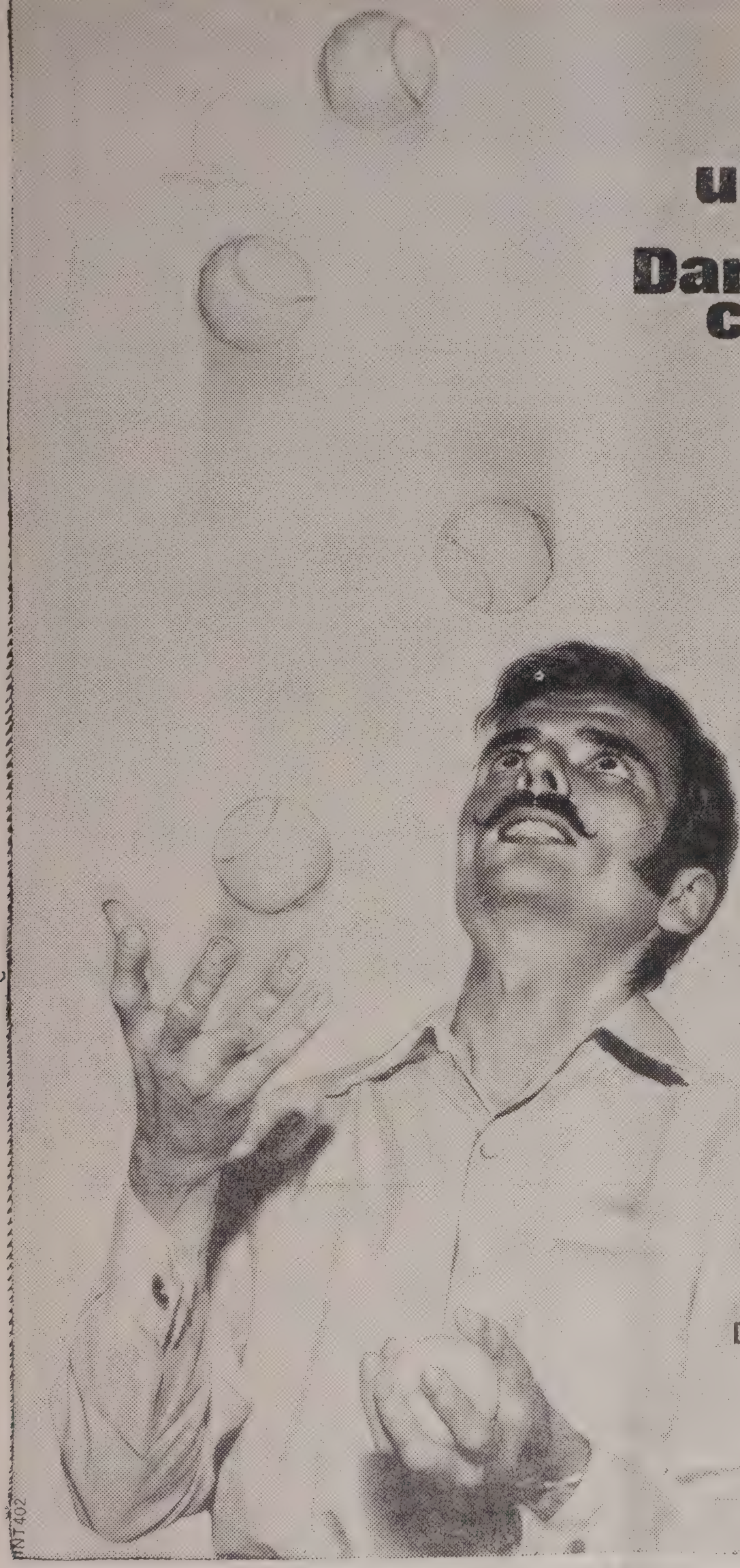
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SHRIRAM CHEMICALS

Inflation: a common sense view

Dr B. K. MADAN

INFLATION HAS recently become the cynosure among policy issues before the country and the government. In a perspective view of the problem, a first thought concerns the span of preoccupation with it which extends from early wartime years, through successive phases of the planning era, with only a brief interregnum during the first five-year Plan period which witnessed a welcome relapse in prices.

Rising interest

During the last couple of years, however, interest in the problem has risen to a crescendo, coincidentally with the pace of inflation and its threat to the economy and against the background of a world-wide inflationary trend. This last has accentuated and made more urgent as well as difficult the need for action in regard to the problem in India.

For a depiction of the ravages of inflation, I can do no better than hark back to a paper written over three decades ago when again the problem had touched a peak of intensity:

"A continuing and persistent process of change in the value of the money unit destroys the continuity of economic life and economic processes, the basis of contract, of foresight, of the incentive to work and save and invest, for it threatens a depreciation of the currency or at any rate a flight from money, makes organised business-like banking and insurance difficult, turns investment into a gamble, impoverishes the body of persons who finance business and industry on terms of a fixed return, and others who depend upon relatively fixed incomes, renders costs and efficiency in business of little account, honesty of no meaning, thrift no longer a virtue but sheer folly, and thus undermines the economic foundations of present-day civilisation and leads to ultimate collapse of the economy."*

Worst ills

More specifically, in the present context, the two worst ills of inflation are: (i) it makes nonsense of our vaunted goals of lessening economic inequality and promoting wider equality and socialism — it negates these ends and promotes precisely their opposites; (ii) inflation inflates the costs and erodes the means of financing our Plans, upsets our investment calculations and undermines, nay disrupts, the basis of our Plan estimates and projections.

Needless dust raised

Much needless dust has been raised over whether inflation in its present phase is, or is not, a monetary phenomenon. Inflation in its present phase and stage undoubtedly is a monetary phenomenon, an excessive increase in the active money supply in relation to the stream of goods and services available being an important causative factor in the present situation. However, undeniably and importantly non-monetary factors, especially the slack in agricultural output and the lag in industrial production, which has virtually ground to a halt, have also contributed to inflation. In its commonest manifestation of most interest to the people, viz., the level of prices, inflation expresses a relationship between money and goods and services and a situation of pronounced and persistent rise in prices normally is, and in particular the present is, *both a monetary and non-monetary phenomenon.*

Such characterisation is, however, by itself not helpful in diagnosing the basic causes and essential sources of inflation. It will be useful for this purpose to observe the course of some significant indicators over several years, as shown in the table below.

Over the period of the last decade or so, price movements in general have reflected the variations in agricultural output, large fluctuations in prices following, after a time lag, an obverse course to the marked shifts in agricultural production; the less marked changes in industrial production and national income may also be seen, similarly, to have influenced the price changes. Unlike real output, money supply can be observed to have moved in the same direction as prices, though the correlation is by no means a close one: changes in the velocity of circulation of money partly account for the deviations; the larger explanation is to be found in the closer inverse relationship of price changes to oscillations in output.

Increase in money supply

During the last three years in particular, the rate of increase in money supply has picked up pace, and what with the comparative stagnation in production associated with the severe drought in agriculture in 1972, following upon

*Paper presented to the Indian Economic Conference, December 1943, by B.K. Madan.

Variations in Selected Economic Indicators

(Percentage change over previous year)

Financial year	1965-66 over 1964-65	1966-67 over 1965-66	1967-68 over 1966-67	1968-69 over 1967-68	1969-70 over 1968-69	1970-71 over 1969-70	1971-72 over 1970-71	1972-73 over 1971-72	1973-74 over 1972-73
Wholesale price index Nos.: all commodities (1961-62 = 100)	7.6	13.9	11.6	—1.1	3.7	5.5	4.0	9.9	22.7
Agricultural production	16.7	0.1	21.6	—1.5	6.7	7.3	—0.8	—9.1	NA
Industrial production	9.2	—0.4	—1.2	6.4	7.0	4.8	3.1-P	7.1-P	0.1-P
National income at 1960-61 prices	—5.1	1.0	9.0	3.3	5.5	4.3	1.7	—1.7	6.0
Money supply	11.0	9.3	8.1	8.0	10.5	11.8	14.0	15.7	14.0

P=Provisional

the unprecedented and prolonged drought of the mid-sixties, prices during the last couple of years have shown a heady uptrend. Behind these major factors underlying the sharp price upsurge also lies the cumulative strain on the economy of the hostilities with Pakistan with the step-up in defence expenditure, and the enormous refugee influx, all of which contributed to the increase in government expenditures and, therefore, of money supply.

Default in management

But above all, the abnormal increase in money supply itself reflects, over and above the heavy impact of the above factors, a certain default in effective management of the economy and in the planning process, including the role of fiscal and credit policies. If these had been in gear and activated reasonably early, there was a tenable chance, despite the world-wide inflationary movement, of keeping inflation within more tolerable bounds. After a stage, the credit expansion becomes as much a consequence of the inflationary trend, being necessitated thereby, as it is its cause or initiating element.

Also, an analysis of the sources of increase in money supply in the recent phase of monetary expansion indicates that the heavy budgetary deficits of governments — central and state — emanating from large governmental expenditures inadequately financed, were the triggers of inflation to start with, viz., upto 1972 or so; more recently, credit expansion to the private sector and public sector enterprises has added its quota to the bout of inflation.

Though we have been through a period of the highest rate of peace-time inflation, it is necessary to appraise the extent and *stage* of inflation before evaluating the remedial action already taken and suggesting further action. One of the best indices of the extent and stage of price inflation is the price increase recorded in terms of the weekly index of wholesale prices over 12 months before, and to observe the trends disclosed therein from week to week or month to month. Thus, the increase in wholesale prices in January 1974 over January 1973 was 26.3 per cent. This measure of increase — a current index of inflation — advanced to 34.5 per cent in March 1974, receded to 28.9 per cent in April 1974, and 26.8 per cent in May 1974 and is currently reported to be about 26 per cent in terms of the increase in the weekly index over 12 months earlier. It would appear, therefore, that the peak in the inflationary trend may have been passed.

Of course, this trend to an improvement of the inflationary situation could easily be reversed, as a great deal still depends upon the course of the monsoons, the Indian harvests continuing to be a gamble in the rains, only a little less so than decades ago. But with the welcome series of government measures announced to deal with inflation — somewhat belated and less than adequate and deficient in parts as they might be — the chances are that the deceleration of the inflationary trend will be maintained and, hopefully, carried further.

Immobilisation

Of the measures taken by government, the most important from an anti-inflationary angle are those relating to temporary immobilisation — a term fancied by the 'economists' — of part of the accretion to income of the wage and salary earners and the increase in bank rate with the associated structure of lending and deposit rates, as much for the actual changes they institute as for the shift in the climate — modest though it be — in favour of saving as against consumption that they promote and signify. The compulsory deposit for high income brackets — of comparatively small effect in itself — is a complement to the wage/salary and DA measure. Administratively, these measures leave something to be desired to simplify and reduce the costs of their operation without impairing their impact. The bank rate change, in particular, could with advantage have been made much earlier and carried out more consistently over the entire gamut of the rate structure, to far greater effect. The dividend control ordinance could have incorporated a more balanced and less unequal impact on the concerns affected with less of a deterrence to investment. The supplementary budget is a holding operation against further onset of inflation and as such was necessary and has an extremely useful role in the fight against inflation, even if it be to stem the advance of inflation through avoidance *to that extent* of a worse alternative. viz., deficit financing and not to roll back inflation.

Reinforcement

In general, the measures against inflation, desirable and necessary as they are in themselves, leave room for reinforcement and supplementation. Essentially oriented to demand management in terms of a basic strategy which is appropriate in the circumstances, they are directed to restraint of a wide spectrum of incomes, or of the spendable element, to alter the equation between consumption and savings through the interest-rate lever, to limiting recourse to borrowing by private and public sector enterprises though a certain hike in lending rates of banks, and to containing the grossly inflationary content of the budget in the form of deficit financing.

Unproductive expenses

More effective for anti-inflationary purpose would be a reduction in unproductive and uneconomic expenditure of governments which would avoid the need of price-raising taxes, through a vigorous and exemplary drive for austerity in standards in administration as in living, with more of an impact on consumption than on investment, and in general without impairing efficiency elimination or minimisation of

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subsidies; extension of the tax net to classes of the population and sectors of the economy hitherto largely beyond its pale or getting away lightly, e.g., the large and medium farmers; users of irrigation and electricity who again are comparatively affluent sections of the community; more effective utilisation of capacity in the economy whether in the private or public sector enterprises and more efficient operation of the productive apparatus generally with a view to increasing production all-round as the most effective antidote to inflation; in particular, a concerted and well worked-out programme to step up agricultural production avoiding pitfalls of crash campaigns; rationalisation of the operation of the economy and thereby decisive reduction of tax evasion and of generation of 'black' money, which has a high inflationary potential, obeying as it does a super Gresham's law; in particular, such rationalisation to be achieved through retention of strategic controls which can be operated effectively and scrapping or relaxation of other controls which continue without their original or any obvious justification and, through inadequate administration, swell the stream of unaccounted money; donations to political parties to be made through the accounts of companies, though within a regulated framework etc., etc.

Remedial measures

The list of measures could be elaborated, but they would all fall under the heads of increased production, restraint on incomes, restraint on expenditure, given the incomes, or improved organisation and management of the economy. Pedestrian as the general course of prescription as above may sound, it is to be seen that there are no magic cures here, since the ailment is caused by familiar lapses and would yield to homely remedies. It should be apparent too that measures such as those directed against tax evasion and control of 'black' money come up against structural hurdles and are, therefore, more complex and difficult to devise and execute and accordingly capable of implementation only over time. However, inasmuch as severe measures require strong public backing, the present urgency of scotching the demon of inflation furnishes both the occasion and the justification for such measures so as to seize the opportunity to use the strong public backing to good effect.

Velocity of circulation

Even as one of the sources of inflation — and latterly an important source — has been an increase in the velocity of circulation of money supply (both income and transactions velocity) when inflation does abate, a decline in the velocity of money again becomes an important and highly useful ancillary to control of inflation.

Given continued action in some of the directions listed above to the point that it should carry conviction to the public regarding government's ability and determination to quell inflation, and given too a fair run of luck on the agricultural front to arrest the inflationary process, the speculative fervour based on expectations of continued price increases could subside and this might lead to a reversal of the trend. Even the poor procurement of foodgrains could become a source of larger market arrivals late in the season and the entire outlook might conceivably undergo a change. The process of return to comparative stability could be assisted, as necessary, by possible further action in terms of a battery of other measures in the reserve not excluding any necessary further all-round hike in the interest-rate pattern with its pervasive effects.

It is in this context that we have to view such proposals as a freeze on wages/salaries etc. and partial cut and immobilisation at a fancy cost of money supply. The first proposal is more drastic than the one adopted by government as the basis of its immobilisation exercise and is less equitable and more costly than the latter: the consideration of equity is especially important when a measure such as that embracing wage and salary earners, by its nature, can have only sectional coverage. The other proposal with a flamboyant title which should by now have enlarged the quizical vocabulary, had to be rejected because of its costs and complications disproportionate to the expected results. Basically, if a number of other measures, including in particular the pruning of unnecessary government spending and an adequate increase in the interest rate structure besides other select measures having an impact on 'black' money, were taken and pursued relentlessly the back of inflation can and would be broken. If such measures are not vigorously enough pursued as part of a long-term strategy, a once-over cut in money supply — apart from the problem of equitable spread of the cut — will not be of any avail to hold inflation at bay for the future. However, the economists have rendered a signal service by raising their voice in favour of a package which contains several very efficaious measures.

I wish to conclude with an expression of hope that the very welcome measures initiated by the government are precursors of a drive which will be sustained to restore a modicum of stability to a severely jolted economy so that our progress on the road to economic growth and social justice can be resumed and maintained.



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Legacy of the US-held rupees

B. R. SHENOY

THE RUPEE Settlement Agreement between India and the USA — which was "initialled" on December 13, 1973, formally signed on February 18, 1974, and came into effect on the following day, when it was placed on the table of the Lok Sabha — merits more careful attention than we have given to it. Most people think that the agreement leans heavily on our side.

Among its fringe benefits have been cited the five-year programme of $ 100 million of export purchases in India. This will bring to us, we are. told by a high authority, $ 75 million of foreign exchange, as only 25 per cent of the purchases would be financed from the rupee holdings of US government.

The implication is that, in the absence of this programme, equivalent export goods would remain piled up somewhere and that our balance of payments deficit would be correspondingly larger. This claim would have some justification if those executing the programme insisted on taking only goods which are unsaleable at home or abroad, as, otherwise, the US government would be giving us no more dollars than we would, in any case, receive, directly or indirectly, as part of the normal trade process. As the framers of the programme had in mind marketable goods, not junk, the claim needs to be qualified.

Revived interest attaches the agreement as a result of t inflation control measu which are currently being giv high priority attention by g vernment of India and whi both the victims and beneficia ies of the price rise are watc ing with a high degree of co cern. The disbursements pr vided for in the agreement a heavily inflationary. We ha dealt with this aspect of the su ject thread-bare elsewher It needs no repetition here.

Briefly, of a total of I

This article is based on the author's book, *PL 480 Aid and India's Food Problem*, which will shortly be published by Messrs. Affiliated East-West Press, Ltd., New Delhi.

TABLE I

Disposition of US-held Rupee Assets

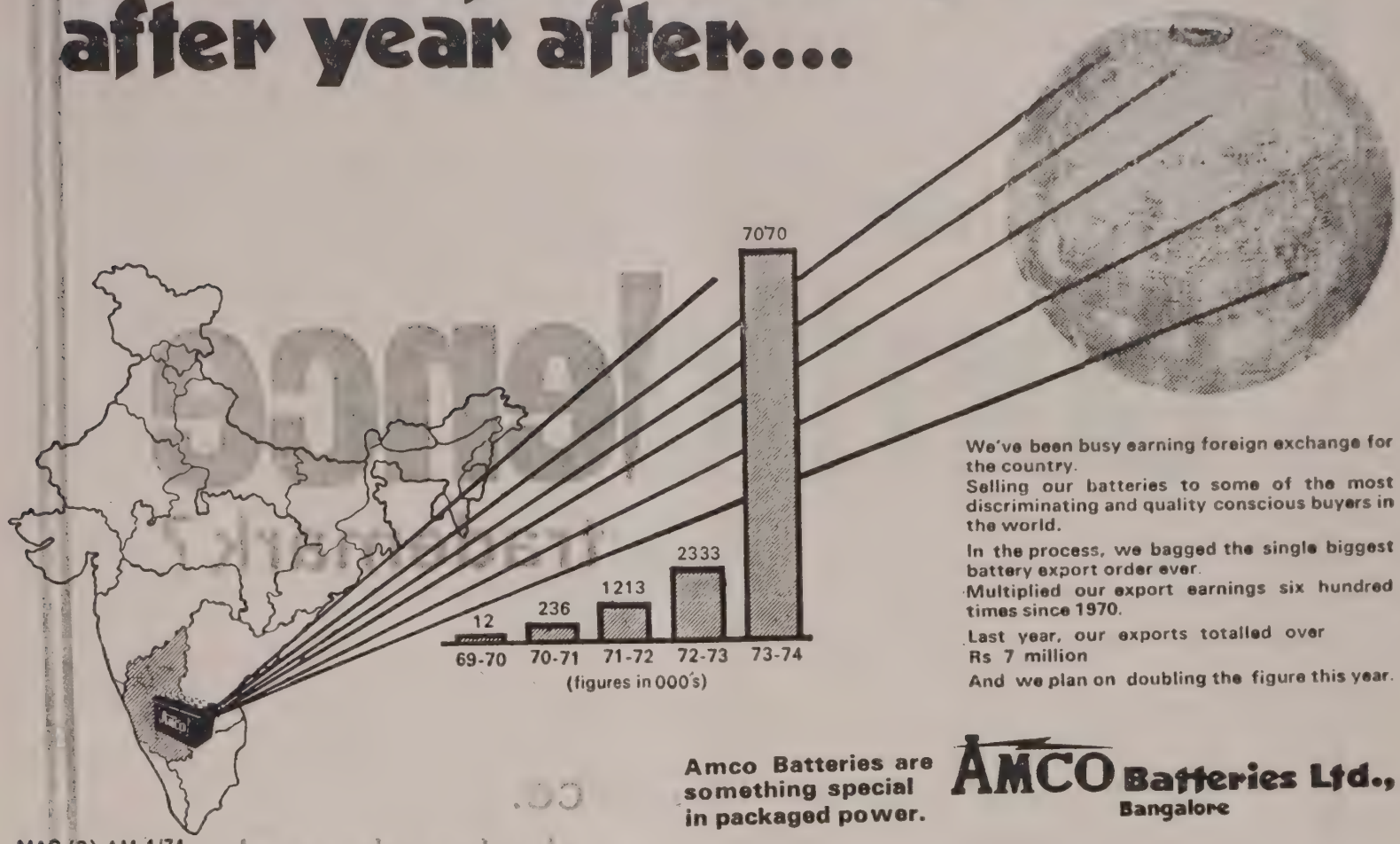
(crore of R

	Receipts		Payments	Balance
1. **Transition Account**	1,713.20	1. **Transition Account**	1,683.00	30.2
	(2,069.08)[2]		(2,032.61)	(36.47
(a) PL 480 Loans	1,530.50	(a) Fifth Plan Grants	1,664.00	
	(1,848.43)		(2,009.66)	
(b) PL 480 liquid funds (including Cooley loan repayments)	182.70 (220.65)	(b) Transfer to Cooley Account	19.00 (22.95)	
2. **Rupee Account**[1]	695.50	2. **Rupee Account**	852.61	—157.1
	(839.98)		(1,029.72)	—(189.74
(a) Non-PL 480 Loans	221.80	(a) Aid to Nepal	19.50	
	(267.88)		(23.55)	
(b) Non-PL 480 Liquid Funds	473.70	(b) 25 per cent Finance for Export	20.70	
	(572.10)	Purchases	(25.00)	
		(c) US Embassy Expenditures	831.41	
			(1,004.12)	
		(d) Received from Cooley Account	—19.00	
3. **Cooley Account**	103.40	3. **Cooley Account**		50.4
	(124.88)			(60.88
(a) Cooley Loans	78.10	Conversion into US dollars	52.99	
	(94.32)	($ 64 million).	(64.00)	
(b) Unpaid interest	25.30			
	(30.56)			
(c) Received from Transition Account	19.00			
(d) Transfer to Rupee Account	—19.00			
4. **Commercial Bank Accounts**	76.50	4. **Commercial Bank Accounts**	Nil	76.50
	(92.39)			(92.39)
Total	2,588.60 (3,126.33)		2,588.60 (3,126.33)	Nil

[1]The dollar denominated account is a part of the Rupee Account and does not call for separate attention.
[2]The figures in brackets are million US $.

Source: Text of Indian Rupee Settlement Agreement.

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2,588.6 crores of the US-held rupee debt, the agreement provides that the government of India "prepay" to the USA Rs 2,408.7 crores. This was done on February 19, 1974. How was this prepayment made?

Created money

Even without this debt redemption, the 1973-74 budget — to which the prepayment was debited — was in deficit, its amount being of an order of Rs 1,250 crores. When a person, already bankrupt, has still a loan to repay, the funds for it must necessarily come from his ultimate financial refuge, as, by definition, he has no savings left to draw on. When the union budget is already in deficit resources for any fresh redemption of debt must come from the Reserve Bank of India. By definition, the Finance minister has nowhere else to go. The entire amount of the prepayment is, therefore, created Reserve Bank money. It follows that all disbursements of the agreement, financed from this prepayment, are inflationary. This will be denied only by those who "seeing will not see".

The rest of the rupee assets comprise PL 480 (Cooley) loans to private enterprise (Rs 103.40 crores) and deposits with commercial banks (Rs 76.50 crores). The prevailing schedule of the repayment of this part of the rupee assets is left undisturbed. As the repayments of these loans and deposits would be from current earnings, their disposition is non-inflationary.

Summary view

A summary view of the three accounts into which the pre-payments and repayments would be credited, the expenditures which would be debited to the several accounts, and the interim and final inter-account financing are given in Table I (p. viii); and the inflationary parts of the disposition of the rupees are given in Table II. It will be noted that PL 480 rupees are paid into the Transition Account and the Cooley part of it into the Cooley Account; and the non-PL 480 rupees into the Rupee Account. Disbursements of the rupees in the Transition and Rupee Accounts, are expansionary; those from the Cooley and Bank Accounts, non-expansionary.

Table II shows that a minor part, 30.9 per cent (Rs 744.7 crores), of the inflationary disbursements of the agreement are on US account: the bulk of this (Rs 704.5 crores) represents US embassy expenditures spread over a period of 20 years and the balance on account of aid to Nepal (Rs 19.5 crores) and the US government programme of purchases in India (Rs 20.7 crores). The major part of the inflationary disbursements, 69.1 per cent (Rs 1,664 crores), are fifth Plan grants to India.

The total expansionary disbursements of the agreement would be about Rs 375 crores per year, during the fifth Plan period and about Rs 35 crores per year, for the subsequent 15 years (Table II).

Deficit finance

Since 1970-71, deficit financing has been on the uptrend and prices had risen during 1973-74 at a near-record pace of 30.0 per cent, on top of a price rise of 2.8 times since 1955-56, when the present phase of inflation began. It is most unfortunate that, in the face of an urgent need for balanced budgets, the agreement imposes on the Indian economy obligatory budget deficits; and at a pace that would be, during the first five years, above the annual average union budget deficit of the past about two decades.

The officials concerned in the US Administration — unlike their Indian counterparts and the US Embassy experts in New Delhi — and some Senators and Congressmen, recognise that the "expenditure of the rupee balances at a time far distant from when the real resources — i.e. the PL 480 commodities — entered the economy would indeed be inflationary". But they argue that it is the responsibility of the Indian government to take "compensatory actions by fiscal or monetary means to neutralize the impact of the spending against the grant funds. Such means include taxing and borrowing from the public". They point out, moreover, that the agreement was freely negotiated by experts and experienced administrators on the Indian side, not imposed by one government on another.

Counter-inflationary action by the government of India to neutralise the inflation ensuing from the agreement implies that, in 1974-75, the Indian budget should produce an over-

TABLE II

Inflationary Finance from Rupee Settlement Agreement

(crores of Rs)

	First three Years (1974-75 to 1976-77)	Next two years (1977-78 and 1978-79)	Last fifteen years (1979-80 to 1993-94)	Total for twenty years
1. Grants to Fifth Plan (One-fifth of total)	332.80[1] (401.93)	332.80 (401.93)	Nil	1.664.00 (2,009.65)
2. Aid to Nepal	6.50 (7.85)	Nil	Nil	19.50 (23.55)
3. 25 per cent Finance for purchases	4.14 (5.00)	4.14 (5.00)	Nil	20.70 (25.00)
4. US Embassy expenditures (One-twentieth of the residual amount)	35.23 (42.55)	35.23 (42.55)	35.23 (42.55)	704.50[2] (850.85)
Total	378.67 (457.33)	372.17 (449.48)	35.23 (42.55)	2,408.70 (2,909.45)

[1]The figures in brackets are million US $.

[2]This represents the inflation-financed part of US embassy expenditures. Total US embassy expenditures financed from US-held rupees amounted to Rs 831.41 crores. The balance of the embassy expenditures (Rs 126.91 crores would be financed from the balance left (Rs 50.41 crores) of the Cooley Funds and commercial banks deposits (Rs 76.50 crores), which are non-inflationary.

Source: Basic data are taken from the text of Indian Rupee Settlement Agreement.

all surplus of Rs 378.67 crores and in the subsequent 15 years surpluses of Rs 35.23 crores per year. These surpluses would withdraw from circulation equivalent created moneys issued into it by the US embassy, in terms of the agreement and the net monetary impact would be neutral. Surplus budgets of the order required during the fifth Plan period are an impossibility at any time; and, with budgets in chronic deficits, continued surplus budgeting for the remaining 15 years is not an easy proposition.

This strange choice between, on the one hand, inflation and, on the other, unattainable budget surpluses, would be avoided if the Rupee Settlement Agreement had not pursued out-of-the ordinary methods of finance. The problem of the US-held rupee assets was primarily a problem of the inflationary impact of the disbursements from the liquid-part of these assets; and the solution to it lay in founding or otherwise freezing the rupees.

The portfolio of the long-term rupee debt should have been left alone. First, this debt, lying in the safe-vaults of USDO, has no monetary effect. Secondly, the terms of the debt are exceptionally soft: its life span was 40 years and it carried interest of one per cent for 10 years and 2½ per cent thereafter. If, even on these easy terms, debt repayments were causing a burden to the budget, the explanation lies in the basic factor of wastages and misdirection of resources, and the remedy does not lie in writing off — as has, in effect happened — an honourable debt obligation.

Fruitful investment

The remedy lies, first, in ensuring that national savings and foreign aid are invested more fruitfully than we have been doing and, secondly, in preventing parasitical, corrupt and other levies on savings and aid. This calls for a complete U-turn of our policies, from more and more interventionism to more and more freedom. Given this policy reverses, there would be no need to write off the PL 480 or any other debt. If, on the other hand, the prevailing policies continued, every major external debt may become a "burden" and may call for the same "remedy" as the US-held rupee debt.

Unclear objective

The grants part (Rs 1,664 crores) of the rupee disposition is a case of writing off of equivalent rupee debt, indirectly, via its monetisation. It is far from clear what USA gains from this method of writing off. The debt could, by some device, have been gifted away to the government of India (or otherwise cancelled) directly.

The current financial year (1974-75) is the first year of operation of the agreement. Prices have been rising during the first about three months of the year at roughly 2.9 per cent per month. Though this is much slower than the pace of the price rise during the corresponding part of last year, it must be viewed as coming on top of the erosion of the value of the rupee by about 30 per cent during the preceding 12 months. Apparently, we are engaging in deficit financing over and above the deficit financing on account of the Rupee Settlement Agreement.

The official package of anti-inflationary measures and the various anti-inflationary prescriptions, which economists and others have advanced, have little chance of success if the Rupee Settlement Agreement remains operative. A condition precedent for the success of any scheme of inflation control, is a repudiation of this agreement, the Chavan-Moynihan folly. There can be no inflation control when, in effect, we permit the USA, by treaty to inflate our currency at a near-record rate of Rs 375 crores per year for five years, and at a rate of Rs 35 crores, per year, for 15 years thereafter. In the absence of the agreement, inflation from US-held rupees would have been moderate, being limited to US embassy expenditures.

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The wasted years after Nehru

K RANGACHARI

DURING THE last phase of Jawaharlal Nehru's leadership of the union government and the country, a question insistently asked both in India and abroad was: "After Nehru, Who?". The word "who" also implied "what"; in other words, it indicated a serious doubt about the shape of things to come in India under a different type of leadership. In the eventful decade since his death, the first question has been answered by the convincing manner in which the Indian polity has helped to work out an orderly succession, first in 1964 and then in 1966 and also to stabilize the available leadership during the sucessive challenges offered to it under the democratic system in 1967, 1969 and 1971. On the second aspect of the question, however, as to how the country would move towards the fulfilment of its destiny, the answer at this stage can only be tentative and obviously not a very encouraging one. It is common knowledge that disenchantment was at no time during the 17 years of Nehru's leadership so deep or widespread as it is now. Nor is there any basis for the view that this is no more than a passing phase in the nation's life. We could only wish that it were so.

Economic survey

The latest Economic Survey (1973-74) makes the following profound observation: "Taking the period since 1960 as a whole, it seems that the year 1966 was a watershed in so far as our industrial performance is concerned." This is a gross understatement considering the many areas of national life in which that year seems to have marked a decisive turning point for the worse. Two notable exceptions to this steady deterioration should, however, be recorded here before proceeding to narrate the dismal performance. The first was the five-year spell of agricultural prosperity beginning with 1967-68, which gave a respite from the continuous food shortages of the three previous years. There was a break in this spell in 1972-73, which proved that the prosperity was founded more on nature's bounty than on man's, least of all the government's capacity for good husbandry. The other important achievement was the modest headway in exports since 1968-69 after two decades of unsuccessful efforts. Both these successes are still helping to boost the nation's morale to a certain extent, creating the confidence among those engaged in these fields of activity that difficulties could be overcome with renewed efforts. Elsewhere, the tale is one of unrelieved gloom.

End of planning

There is considerable significance in the fact that 1966 marked the beginning of the end of economic planning as a meaningful exercise to promote development. The Plan holiday which extended to three years was wholly misconceived since it was predictable that there would be loss of momentum in implementation. The idea was attractive to the government, however, as all soft options have since proved to be; with the uncertainties following rupee devaluation and suspension of foreign aid, changes in the political climate after the 1967 elections, food shortages and rising prices, the emphasis in planning could and should have shifted to economic stabilisation rather than high outlays or growth rates, but that alternative was spurned perhaps because it would have been politically unimpressive. Anyhow, the Plan holiday partially succeeded in taking the economy towards more stable levels by 1968-69 when agricultural production had shown definite improvement, prices stopped rising, the industrial recession had come to an end and exports started expanding at an impressive rate. Our policymakers then missed no opportunity of saying that the Indian economy was "poised for growth", as indeed it was. They had the opportunity to provide the strategy for such growth in the fourth Plan which commenced in 1969; the failure to seize it was inexcusable and has had tragic consequences.

Tragic effects

Tragic, because the larger numbers of children born in a free India and surviving at much higher rates than ever before to grow into adults, were hopefully entering the labour market at many levels in the economy, rural and urban, and getting deeply frustrated. Official statistics tell the grim tale in relation to the job opportunities created in the organized public and private sectors. In the third Plan period (1961-66) employment in the private sector had increased by 36 per cent and in the public sector by 33 per cent; after eight years it remains at about the same level in the private sector as in 1966 while the public sector has shown an increase of about 25 per cent much of which can be attributed to the transfer of employees to this sector as a result of nationalization of banks, general insurance and coal mines. An average rate of growth in both sectors of about seven per cent per year until 1966 has thus been halved in the last eight years.

The secondary effects of such reduction in the unorganized sectors cannot be exactly measured, except partially by the registrations at the employment exchanges which had over eight million persons on the live registers at the end of last year; those unregistered constitute a multiple of this figure. There is some reason to believe that the relative prosperity in agriculture between 1967 and 1972 provided more work and incomes for rural labour and to some extent reduced the migration to the towns in search of work.

Demographic trends in the country clearly pointed to the need for evolving a policy for employment both in rural and urban areas from the mid-sixties onwards in the interests of promoting both social justice and political stability, besides also economic growth. Today in mid-seventies, the employment objective has receded far into the background of the government's planning and policy-making. The increasing annual additions to the working force could have been viewed either as a resource to be mobilized and effectively utilized in the nation's tasks—since in any case these youth will be claiming a share in the national product for their minimum needs of food, clothing and shelter — or as an awesome responsibility because of the probable social and political consequences of unrest in their ranks.

Lack of policy

Merely to exhort young men and women to throw in their weight in favour of a stability in which they have no stake or assigned role can hardly evoke a positive response from them. The imagination required among policymakers to face the problem in all its aspects has never been in evidence in the last decade. There were only feeble attempts to shelve it by the usual device of setting up committees, which often came to self-evident conclusions about lack of data, as if the eight million persons on the live registers were not tangible enough to provide a basis for action, if indeed the government had a strategy.

Judged in the context of the dismal failures in the more fa-

miliar tasks of development of industry and agriculture, this neglect of a much larger social problem may appear to be not so serious. In budget after budget, union Finance ministers have been uttering hypocritical exhortations about the need for sacrifices all round and professing devotion to the cause of development and raising of Plan outlays in order to justify the harsh doses of taxation. The resources so raised have been turned over to unproductive purposes, mostly for political reasons. It is well known that in spite of taxation far beyond the Plan targets, the central government's ratio of saving to its disposable income steadily declined from about 24 per cent in 1965-66 to less than five per cent in 1971-72.

Such continuous misdirection of resources is at the root of the problem of mismanagement of the Indian economy in the last eight years; it is part of the fiscal irresponsibility shown in the Finance minister's readiness to resort to deficit financing without limit, regardless of its regressive effects.

There was nothing inevitable about the setbacks of these years, though adverse seasons might have affected agricultural production in 1972-73 and the Indo-Pakistan war of 1971 compelled a diversion of national resources to defence and refugee relief. It was not mere bad luck that the average annual increase in industrial production was nine per cent in the calendar years 1961 to 1965 but less than four per cent in the next seven years.

The change reflected the government's preoccupation with the politics of its industrial licensing policy, following the Dutt Committee report, to the complete exclusion of its economics. Frantic attempts to undo the damage thus deliberately caused have not helped yet to restore the climate for investment. In 1965-66, Indian Railways were able to move 203 million tonnes of originating goods traffic; after adding more than Rs 2,000 crores to the capital-at-charge in the next eight years, the railways are now moving 10 million tonnes less.

To say all this is not to argue that there were no serious shortcomings in the management of the Indian economy under Prime Minister Nehru. Personal or ideological predilections, concessions to political pressures, lack of understanding of the ways of working of economic forces and serious lapses in implementation were responsible even then for many of the failures in the second and third Plans. But the vision of the ultimate objective was clearly present in Mr Nehru's mind even when the design was faulty or distorted due to politics or prejudice. At that time, it was legitimate and proper for the government to have concentrated on widening and strengthening of the economy by planning for steel, heavy machinery, irrigation and power, chemicals and fertilisers, even though long gestation periods and delays in implementation caused inflationary pressures and concentration on these aspects led to an avoidable neglect of agriculture. However, the foundations were truly, if not firmly and well, laid during this period, on the basis of which alone a programme for employment and social justice could be formulated in the mid-sixties to meet the demands of those swelling the ranks of the unemployed and to supply the minimum needs of the population living below the poverty line.

Today, there is neither the vision of a long-term strategy nor even the design for a shorter term. The politicians who have been reared on the cliches of the past still cling to them and talk of a "core" sector as if this could by itself solve problems the dimensions of which have changed.

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Indian shipping makes headway

KAMALAPATI TRIPATHI

In an atmosphere of world-wide inflation and rising prices, it is likely that some people may miss the progress India has been making in various fields. In fact the country has shown remarkable resilience in facing the current financial crisis.

In the case of shipping, for example, during the first three months of the current financial year, the country has acquired ships of a total tonnage of 0.45 million GRT. The total shipping tonnage in operation on July 1, this year is 3.54 million GRT. Orders have been placed for 70 ships totalling 1.76 million GRT. Of these, 26 ships are being constructed at Indian shipyards and the rest in other countries.

Total tonnage

All the ships on order at present from foreign shipyards are expected to be received by 1977 raising the total operative tonnage to 5.29 million GRT. The tonnage target for the fifth five-year Plan has been fixed at 8.6 million GRT. We will be required to acquire additional tonnage of 3.31 million GRT during the fifth five-year Plan to reach the target of 8.6 million GRT. Further orders for one million GRT would be placed as advance action for the next plan. At the current tempo of progress, it is hoped the fifth Plan target will be fulfilled.

In view of the world trend of going in for big bulk carriers which are economical to operate it is expected that by the end of fifth Plan, 3.6 million GRT of our operative tonnage will comprise bulk carriers. Tankers will constitute 1.4 million GRT, coastal ships 0.6 million GRT and others three million GRT.

It is a matter of satisfaction that in spite of price hike in petrol, diesel and other petroleum products, no Indian ship has been laid off for a single day anywhere in the world. Our entire fleet of 289 ships has been actively engaged in carrying cargo from one part to another. Indian ships are now carrying about 18 per cent of our overseas trade.

More ships

Steps are being taken to encourage public and private sector shipping companies to acquire more and more ships. In the budget for 1971-72, the government had announced discontinuance of development rebate in respect of ships acquired after May, 1974. This has now been continued for another year, that is, upto May 1975 in respect of ships contracts for which were entered in before December, 1973.

In lieu of the development rebate, an initial depreciation of 20 per cent has been proposed for ships which are not entitled to development rebate. The provisions regarding depreciation have been included in the Direct Taxes (Amendment) Bill 1973 and the Taxation Laws (Amendment) Bill 1972. These bills are now before the Parliament.

The Shipping Development Fund Committee has liberalised its policy regarding the issue of guarantees.

The terms in respect of security for grant of loans have also been relaxed. At present the shipping companies are required to provide security to the SDPC to the extent of 133⅓ per cent of loan amount and interest thereon. Orders have been issued to reduce it to 120 per cent in special circumstances.

The shipping companies have also been asked to apply for clearance from the government in terms of the Monopolies and Restrictive Trade Practices Act, 1969 well in advance. This has been done to expedite clearance in the course of consideration for approval of the acquisition programme so as to avoid any hold up on this account.

No constraints

These measures taken by the ministry will ensure that the programme of acquiring ships and increasing tonnage is not adversely affected on account of any financial constraints.

During 1971-72, the total value of our overseas trade was about Rs 3400 crores. As the normal freight forms 10 per cent of the total value of foreign trade, we would have paid a total freight of about Rs 340 crores. The same year the total earnings of Indian shipping was about Rs 175 crores inspite of the fact that the Indian ships carried only 16.3 per cent of the overseas trade in that year. The development of shipping will enable the country to earn or save substantial foreign exchange which will go on increasing as we add to our shipping tonnage.

Shipping, moreover, is an industry where the entire cost of a ship is not to be invested in one lumpsum. According t the normal international trad practices, a company is abl to acquire a ship on payment o 20 per cent of the total cost The ship, however, starts earn ing from the day it is ac quired, and generally pays back its total cost within five t eight years. If the normal life of a ship is taken to be 20 years for the remaining 12-15 years the ship is a paying concern.

Placing of orders

It is, therefore, in the larger interests of the country to add to its shipping tonnage as quickly as possible. Since most of the foreign shipbuilding yards maintain an order book extending over several years it is necessary to place orders at the shortest possible time. My ministry has taken vigrous steps to encourage shipping companies to spot and acquire even secondhand ships and place orders for new ones upon as many shipyards as possible.

Simultaneously, efforts are being made to step up the ship building capacity within the country. The existing Hindustan Shipyard Ltd. at Visakhapatnam is being expanded; the work on the construction of Cochin Shipyard is progressing fast; and a decision has been taken to put up two shipbuilding yards during the current five-year Plan.

I am confident that the country will get over the financial hump in the near future and the national economy will gain momentum which will generate production and reduce inflation.

New challenges in Punjab's agriculture

GURBANTA SINGH

HISTORY BEARS testimony to the fact that Punjabis have been always in the fore-front in any national exigency. Today the nation faces a serious economic crisis as a result of the galloping inflationary pressures. There is no denying the fact that rise in prices is an international phenomenon but it has affected the Indian economy particularly seriously. There has been a shortage of fertilisers, petroleum products, power and irrigation resources. Failure of rain, extensive frosting and lack of timely irrigation during last winter resulted in a fall in *Rabi* production in the state. At present, about 85 per cent of our fertilizer requirements are being met from the international market where its prices have touched a new high because of abnormal hike in petroleum crude. The only way to meet this challenge of shortages is to utilise properly the available agricultural inputs and increased use of compost.

Little scope

There is little scope for expansion in the net cultivated area in the state, as every piece of productive land has already been exploited to the maximum. To enhance production, the Punjab government has formulated a strategy under which efforts would be made to increase cropping intensity from 145 per cent in 1973-74 to 160 per cent in the year 1978-79 through development of minor and major irrigation projects and mechanisation. To have greater production per unit area, existing soil and water resources would be efficiently used. Soil conservation and water management scheme in the kandi areas would be implemented. Similarly water courses in the canal-fed area would be brick lined to conserve water. To increase productivity, farmers would be advised to make optimum use of inputs and adopt plant protection methods over vast areas with the object of reducing per unit cost of production.

To meet the ever increasing needs of the country in long staple cotton, oilseeds, pulses, vegetables, fruits and fodder it is envisaged to change the cropping pattern. To achieve the target of 10.50 lakh bales of cotton during the current year, 2.33 lakh hectares of cotton area was sprayed by aircrafts. There is a huge demand for aerial spray but due to paucity of aircrafts, it is not being met. The estimated production targets for oilseeds and cotton during the year 1974-75 has been set to 3.50 lakh tonnes and 11 lakh bales respectively. Protein rich pulses and vegetables occupy a significant place in the human diet in a country like India. So greater stress is now being laid on cultivation of pulses and potatoes.

With the hike in the price of fertilizers we have to minimise our dependence on chemical fertilizers in order to reduce the cost of farm production. It is their ingenuity, hard work and will to earn more from the same piece of land which can help farmers to utilise and devise methods to enhance their production. Even though compost is no substitute for chemical fertilisers for intensive cultivation and it may not be possible to dispense with the latter completely, yet their use can be cut down drastically. Organic fertilizers are more effective than the chemical fertilizers and they can meet the large requirements of those farmers who grow two crops a year. The Punjab government has therefore fixed a target of producing 72.80 lakh tonnes of compost during the year 1974-75. The government of India at the same time is committed to giving subsidy to the tune of 25 per cent on installation of gobar gas plants. The state government would help in the installation of 7,000 gobargas plants with the financial help of commercial banks and the Khadi and Village Industries Board during the year.

In our state about 660,000 hectares area is either marginally or totally unfit for cultivation. To reclaim the alkaline and saline land, a sum of Rs 10 lakhs has been provided during the current year to cover an area of 4,000 hectares. Besides this one project of 280 hectares has been taken up for the reclamation of panchayat land in Gurdaspur district which would be later on converted into seed farm. Two more similar projects are being taken up at Sangrur and Kapurthala districts at a cost of Rs 97 lakhs.

To increase production the state government is extending technical know-how, requisite credit for fertilizers, seeds and pesticides and custom service facilities to small and marginal farmers who are the back bone of the nation. To convert the small holding into a paying proposition, small and marginal farmers are also being helped to take up agriculture based secondary vocations like dairying, fruit cultivation, piggery and poultry farming to enhance their income. The dynamic and progressive Punjabi farmers are determined to rise to the occasion and help the nation at this critical juncture by raising food production.

The author is minister for Agriculture in the Punjab government.

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The fourth dimension: emotional quotient

DATAJI

THE YEAR 1974 has been declared as the World Population Year and whatever it might connote, the focus is on the developing countries. These countries, or at least most of them, have contributed to the world's adverse population economy. Even if we did not have the wonder drugs which are made scapegoats of a situation which is out of control, the hyper-geometric progression works in the field of human biometrics particularly in areas where the fulfilment of human needs are at a low level and it is abundantly clear that in population policy, action whether aggressive, pursuasive or motivating is likely to result in essentially counter-productive output.

In this context, a look at the present population situation in this country analysing the trend during this century as given in Table I will be fruitful.

Growth rate

Table I indicates that while birth rate has somewhat remained steady since 1968, there is a variation in the death rate in different years during the period which does not show any steady trend. As such, the growth rate during these years which shows some variance is only marginal. However, the alarming total increase in population has been essentially due to high birth rate in the rural areas where the population base is very heavy. An analysis of the per capita income during the last ten years (Table II) indicates that there has been very slow progress in this which in any case did not increase commensurate with the increase in the consumer price index in the country.

During the same period per capita net availability of foodgrains in the country was of the order given in Table III.

The result of the study of Tables I, II and III would make the following conclusions obvious :

(1) That while birth rate has not decreased substantially there has been a substantial decrease in death rate; that birth rate has been comparatively much higher in the rural areas than in the urban areas.

(2) That the per capita income shows an upward trend but ineffective in the face of galloping rise in population.

(3) That per capita net availability of foodgrains has varied from year to year while there have been very bad years and only some better years.

Motivation

In this context, it has become acceptable that if the growth of population has to be arrested it is necessary to motivate people to accept various ideas involved in family planning such as late marriages, spacing birth of children, terminating the possibility of birth among the reproductive age group and finally accepting the concept of terminating such pregnancies which are unwanted. These are concepts involving individuals, environment and society and before we can think of attaining any success in these areas it is necessary that the hurdles hidden or on the surface to the acceptance of these concepts be identified so that some media strategy could be evolved to overcome these hurdles fully or sufficiently whereby these concepts are accepted by the individual, environment and society. This possibly is the answer to the present situation where media efforts and commercial approach to the problem have resulted in less than optimum output compared to the total inputs.

But how much media can do and how much it has done are questions which are definitely inter-linked for, something

TABLE I

Trend in Population Growth

Year		Rate per annum per 1000 population		
		Crude birth rate	Crude death rate	Natural growth rate
(1)		(2)	(3)	(4)
1901—1911		49.2	42.6	6.6
1911—1921		48.1	47.2	0.9
1921—1931		46.4	36.3	10.1
1931—1941		45.2	31.2	14.0
1941—1951		39.9	27.4	12.5
1951—1961		41.7	22.8	18.9
1968	Rural	39.0	16.8	22.2
	Urban	—	—	—
	Pooled	—	—	—
1969	Rural	38.8	19.1	19.7
	Urban	32.6	11.4	21.2
	Pooled	37.6	17.6	20.0
1970	Rural	38.8	17.3	21.5
	Urban	29.7	10.2	19.5
	Pooled	37.0	15.9	21.1
1971	Rural	39.0	16.5	22.5
	Urban	30.0	9.6	20.4
	Pooled	37.2	15.1	22.1

TABLE II

Per Capita Income and Consumer Price Index for 1960-61 to 1970-71 in India

(at 1960-61 prices)

Year	Per Capita Income (in Rs.)	Consumer price index* (Working class —general)
(1)	(2)	(3)
1960-61	306	124
1961-62	310	
1962-63	309	
1963-64	318	
1964-65	335	
1965-66	310	169
1966-67	308	191
1967-68	330	213
1968-69	325	212†
1969-70	341	215
1970-71	349	226

* 1949=100
† 1963=100

which cannot be done, it is idle to assess. The rate of increase of population in a country may or may not be linked to the measure of social selling in a country's economy and such social selling is not always stimulated by factors that stimulate consumerism. Social selling is a by-product of the created needs in society and is counter to the natural instincts, however, base these instincts might be. To create such needs, mere motivation for something which is rationally "better" is not enough. That motivation must be instinctive. And instinctive motivation can be instilled in the human mind only if emotional fulfilment of the individual is involved in such motivation. Such involvement is possible if the individual's Emotional Quotient reaches a positively high value which sublimates the lower values in life which are natural at birth.

Khanna study

A reference to the million dollar Khanna study would be appropriate here. The study which took over a decade, had various co-sponsors whose objectives were to determine the effectiveness of a recognised method of contraception, the effects of family planning in a village community and of population control in general on health and social status. The explanatory investigation finally started in 1954 and the report is now available. If the findings of this study are of any use, it must be accepted that the villager in rural India does not necessarily believe that a "small" family is a "happy" family. For, his concepts of "happiness" is different from the bureaucratic concept of this term and he believes he "needs" a larger family for his "existence". This study lends credence to the argument that if, of late, there has been some decrease in the growth rate in this country, it is due mostly to late marriages.

If family planning has to make any headway, the people in the major habitats—i.e. the agricultural community have to be convinced that a "small" family will satisfy their "needs" whether this will make them "happy" or not, is another question.

Taking a pragmatic look at the problem we find that if M/s Hindusthan Latex produces to full capacity and M/s London Rubber Co. and SIDA plan supply to our full requisitions, the availability of condoms both through the free channels and the commercial outlets would not normally exceed 300 million pieces in a year.

Taking the number of married women in the reproductive age group (15-44) and deducting from this the number of women and men who have undergone tubectomy and vasectomy since 1956, we find that for each woman in this category (corrected upto 1972) there are four condoms available in a year against the norm of 72 for the purpose. Taking this norm and that users are regular users, over 90 million eligible couples cannot thus be covered at all at this moment.

Depending on the imagination and belief that religious prejudices prevents sexual contact on a large number of days, one can only hope that family planning, at this hour is left only to God ! This certainly is the fourth dimension in a problem of such magnitude and immediacy !

Social selling

Having defined the negative aspect of the situation and the lesser positive aspects of it, it is now possible to examine to what extent such social selling can be stimulated through media. The media message in this context has to be modulated to the level of acceptance in terms of the Emotional Quotient of the subject where the desire to accept a behaviour pattern becomes strong enough and, in this process, to discard the existing behaviour pattern becomes possible.

In this reference, we examine a particular campaign copy which will make the exposition of the thesis clearer. For 'Nirodh', we have a copy :

"Before you have another child,

THINK"

and,

"Give the child all the care she needs"

Now "Think" is an ego-threatening expression in this context. For, this comes to us as a suggestion that the thinking process in this regard is not already there. And again, "Am I not giving the child all the care?" The negative quotient when an individual would be exposed to this copy, is likely to be very high and instead of stimulating him to accept a particular way of life, he might find the advice repugnant.

Wrong approach

If some of the vital problems in which media effectiveness has not been that high in motivating the individual to accept a particular way of life, it is not necessarily because he has not been reached but also because he has been reached wrongly. Correct answer to these can come only from socio-clinical research determining the Emotional Quotient of the different targets at individual, environmental and cultural levels which, however, has not been so far thought of. The 'Knowledge, Attitude and Practice' studies which are considered to be indispensable tools in formulating family planning programmes and policies are valuable but incomplete in so far as these are empirical in nature, essentially devoted to things as they are on the surface and would not probe into the much deeper dimensions of human nature which are uncertain, unlimited and subject to accelerated changes.

Human problem

Family planning is not a demographic or economic situation as much as it is a human problem and whatever may be the economic reasons reinforced by those political and administrative for controlling population growth in the context of the developing countries, human mind will always remain a non-receptive vacuum if the filler is not sized to the vacuum itself. Whether the latest concept in studies and surveys—NEF technique evolved by a group of researchers in All India Radio's Audience Research—have an answer to the problems of media in a highly surcharged area of human behaviour, is yet to be seen. The application of this technique is in an experimental stage and pilot studies are in the process of being undertaken to determine its efficacy.

TABLE III

Per Capita Net Availability of Foodgrains for 1960-61 to 1970-71 in India

Year	Population (million) as on October 1.	Per capita net availability (grams/day)
(1)	(2)	(3)
1960-61	441	470
1961-62	450	466
1962-63	460	446
1963-64	471	454
1964-65	480	483
1965-66	492	409
1966-67	503	403
1967-68	514	462
1968-69	525	447
1969-70	537	457
1970-71	549	469

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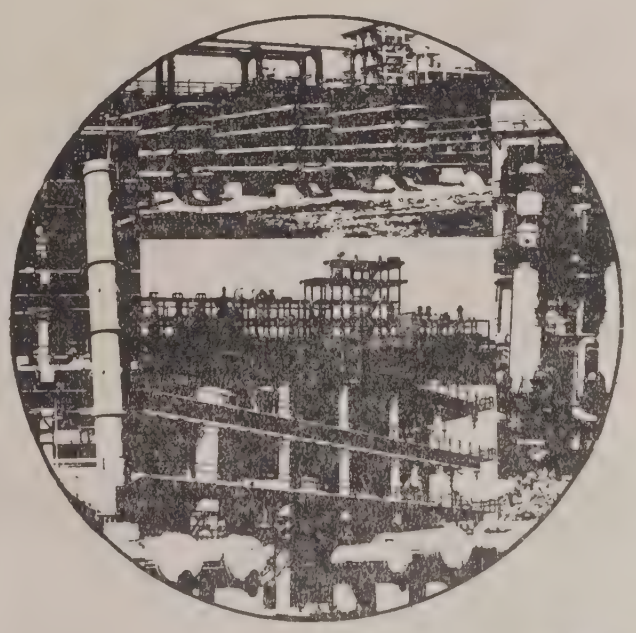
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* Have set up 6,711 small-scale and 5 large scale industrial projects, got issued 86 letters of intent and exported goods worth Rs. 63.71 crores. 24 new industrial complexes were also selected.

* Have provided electricity to 60 per cent villages numbering 7,230, Rs. 8 crores provided this year for electrifying all the remaining villages.

* Have enrolled 5 lakh children for primary education.

* Have allotted house sites to over 1,86,000 families covering 9,837 villages.

* Is the first State to introduce medical manthan to remove urban-rural imbalance of medical services, 1/3rd rural population already covered.

* Is also the first state to set up small and marginal farmers agencies in all districts.

* Have reserved 50 per cent posts of constables and patwaries for Scheduled Castes and Backward Classes and spent several crores of rupees on constructing dharamshalas, electrifying all Harijan Basties and drinking water supplied etc.,

* Reservation for other posts also raised to the extent of 30% for direct recruitment and 16% for promotion in class I and II.

* Is giving pension and other benefits to over 11,300 families of martyrs and freedom fighters in addition to honouring the mother of Shaheed-e-Azam Bhagat Singh, arranging return of Shaheed Udham Singh's mortal remains and installation of commemorative stones at block headquarters.

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PRD 74/64



New dimensions of technology: an assessment

S. VENU

THE ARROGANT lord of nature and victim of his own inventions, man destroys through creating, wringing an exorbitant price from society in return for some of his most spectacular technological achievements. After taking pride in the achievements of technology, mankind is now groaning under it. Instead of opening promising new prospects, the explosion of new technical choices is felt as a paralysing confusion both of new possiblities and new dangers. Technophobes accuse technology of betraying man, scientists and learned people in general deplore its inability to cope with social problems, men in the street are torn between awe and disarray. At the very moment when many innovations seem available to improve the human conditions, man feels insecure and alienated, overwhelmed by his mechanical slaves as if trapped on the horns of a dilemma: flight into a cataclysmic showdown or negation of self in passive submission to a thoroughly dehumanised society.

Reducing risks

Technical change derives from the effort to modify the outside world and reduce the massive risks that threaten human life and conditions of existence. By challenging nature with his wits and imposing on it human and organizational devices, man has used Promethean powers, in so far as technology has certainly made possible sustained growth and liberation from hunger, scarcity and illness in some parts of the world. No one, therefore, argues that science and technology be rejected outright.

Yet, fostering technology and its unconditional diffusion as intrinsically beneficial has exposed mankind to horrendous threats: nuclear holocaust, ecological disasters, depletion of natural resources, malnutrition due to the failure to curb the population explosion. Knowledge, professional skills and occupational categories are quickly rendered obsolete, apart from production processes. This gives rise to constant social disruption, the rapid erosion of values and a general feeling of frustration both at the individual and social levels.

Determinism

An off-repeated contention, almost a monotonous refrain, is that technological innovation is by definition a self-contained process. By its inner logic —i.e., pursuit of an improvement in a specific performance—each separate technology creates opportunities for constant innovation. Another thesis is grounded on the principle of overall cost-benefit optimization, both on the micro-economic and macro-economic levels. According to this thesis, the broad societal benefits of advances in technology exceed the associated costs sufficiently and in such manner as to make technological advance inexorable. A third approach highlights the difference between technological and societal forecasts; the former are precise and close to actual events, the latter of a conjectural nature.

Axiomatic acceptance

All these views project technological determinism as opposed to the capriciousness and instability of social phenomena. There is axiomatic acceptance of the proposition that human and social phenomena lag behind technological development. Social problems are said to derive from technological change. Impacts move in a linear fashion from technology to society. Society reacts, through feedback loops, in a haphazard and incongruous manner.

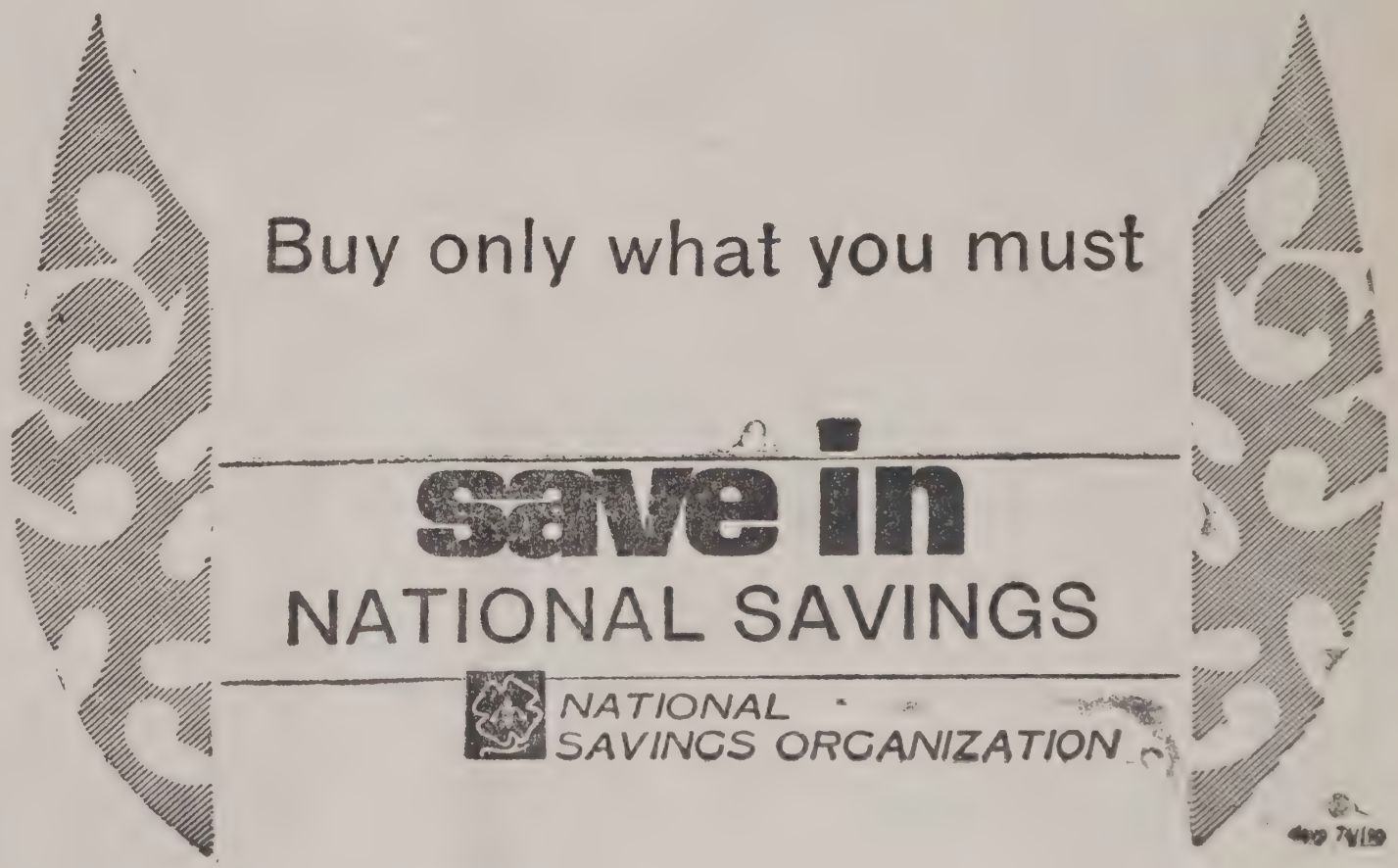
Arguments like these reveal a basic misinterpretation of the social role of technology. Technology is *only one* of the methods for coping with various social problems. A given development can provide the improved means but not the rationale and content of a social achievement.

Technology-triggered social innovation is a *contradiction in terms.* Men shape society and not technologies. Responsibility is shunned because individuals and groups cannot arrive at a workable consensus on a set of rules which could lead to significant social innovations.

The massive problems posed by technology make it obvious that *technological change does not automatically mean overall progress*, and still less an actual increase in social welfare, economic growth and real human satisfaction.

Technology assessment

The idea that a comprehensive assessment of technological developments is a vital necessity thus arose when recognition dawned that technology can be the source of both benefits and undesirable effects. The concept of control and management of technology is often defined in the narrow



sense of 'technology assessment'. This term appears to have been used for the first time in 1966 by the Science Subcommittee of the US Congress

"Technology assessment is a form of policy research which provides a balanced appraisal to the policymaker . . . It identifies policy issues, assesses the impact of alternative courses of action and presents findings. It is a method of analysis that systematically appraises the nature, significance, status and merits of technology progress."

As the notion spread various conceptual contracts have been subsumed and two broad tendencies have emerged.

Broad tendencies

The first restricts the meaning to that of a broadened but essentially *operational* analysis of specifically defined technologies. It is viewed as a systematic planning and forecasting process encompassing an analysis of a method or a set of methods taking into account both internal and external defects. It goes beyond short-term localised economies to identify affected parties and unanticipated impacts in long-run perspective. It is neutral and objective seeking to dissect both good and bad side-effects. This approach, which may be termed the technologist's approach does not come out with a specific recommendation involving value systems. Assessment ends at the frontier of broadened analysis leaving the rest to traditional social and political processes.

The second tendency considers technology assessment as a social innovation which will need a systematic investigation of the impacts on the social, political and cultural patterns of communities. This can be illustrated by transportation where comprehensive technology assessment examines the effects of developments on housing, urban planning, disruption of human settlements, on the environment and on conflicting interests of various groups in the plural society.

Both approaches thus imply that technology should have a *stimulative* and *regulative* aspect.

Basic features

A basic change in public attitude towards technology as a normative concept of policy implies commitments for the benefit of society as a whole. Fundamental questions are raised for the social system and issues of international cooperation. The government must determine the goals of society towards which technology should be aimed and evolve methods of assessment. Industry will have to accept social responsibility. Science will have to devise the technical solution.

The following main features distinguish technology assessment from various forms of analyses and forecasting such as investment appraisal, systems analysis, long-range planning etc:

1. *Multi-order Impacts:* It is more specifically concerned with second, third and higher order impacts as distinct from the prime effects.

2. *Multi-group Impacts:* It incorporates the needs of a wide variety of groups. This may be regarded as a first step towards 'participatory' technology and may help to define the 'public interest' in the long-run through identifying a set of values.

3. *Multi-Disciplinary Approach:* Social, cultural and political aspects should be taken into account. This implies that the widely varying disciplines will have to be integrated and a common fund for contributions by specialists created to pool the knowledge synergetically.

4. *Iterative Progress.* It is a continuous process which studies the interplay of social and technological change. Convergent interactions are necessary to evaluate the consequences of technological change to society and determine the channels through which social goals can be brought to bear on the future course of technological development.

The scope of technology assessment would thus cover three main areas. First, the monitoring and abatement of negative side effects like pollution, congestion and haphazard urbanization. Second, the screening of new technologies. This applies to fundamental choices as the desirability of developing more knowledge to areas such as biochemical genetics, nuclear research, etc. Third, original research in evolving new technologies in relation to social priorities.

From the standpoint of *objective orientation*, again, a three-fold segmentation can be made:

1. *Technological Utility* is the first reason for a fresh entrant. The state of the art and the available options have to be explored through more R&D. Comparisons of variants leads to an assessment of feasibility after a detailed examination.

2. *Social Relevance* — The impact on environment, values, and individuals are then analysed.

3. *Political Acceptability* is then ascertained through the multi-group procedure where impacts on affected parties are evaluated in terms relevant to social goals.

Final step

The final step is the choice of an acceptable alternative most suitable in a socio-political context. This is diagrammatically illustrated below.

Apart from the US, Japan is the only country where technology assessment has made some headway. It must also be mentioned that the EEC countries have appointed an OECD committee to suggest methods in the European context where fears always lurk of being swamped by 'superior' US technology. In Japan-high-rise buildings, motor, cars, plastic wastes, chemicals, etc., are the subjects of study by the Science and Technology Agency and the Nomura Research Institute.

In respect of forecasting, the Delphi method which collects information through repeated questioning of specialists and recording responses can be used. The extrapolation method can be used for forecasting changes in production volumes and evolution of environmental pollution.

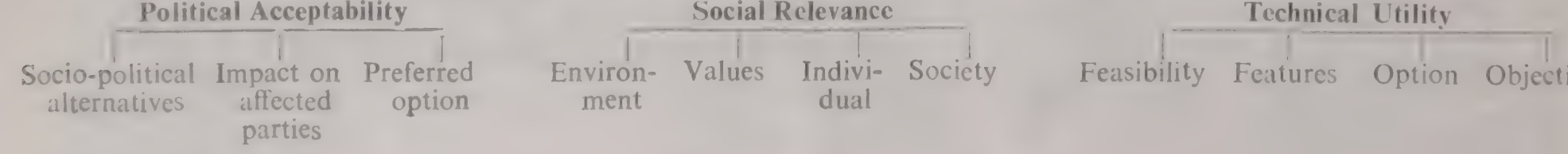
Matrix method

Methods that can be used in estimating the impact of technologies on society are brain storming and the matrix method and a modified questionnaire technique. For compiling the results of technology assessments, the matrix and polygon tabulation procedures are appropriate.

Parallel with the development of methodologies, it is equally important to train assessment specialists through on-the-job training who should acquire an inter-disciplinary and future-oriented mentality.

Other techniques must also be introduced to enhance the effectiveness of assessment. First, R&D on a multi-dimensional basis should be promoted. R & D must be oriented towards counter-measures as antidotes to the adverse effects of technology.

Second, the fiscal, legal and administrative systems will need overhauling. Third, constant monitoring and reappraisal will be necessary since the human element involves mistakes. Fourth, there is need to evaluate the significance of popular participation, a role in which citizens' groups and consumerism can play a constructive part.



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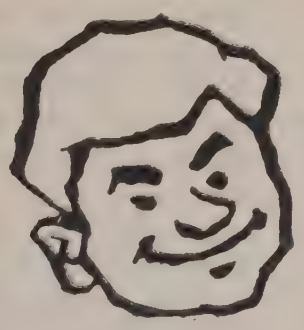
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Strengthening of underwriting organisation

DR R. M. SRIVASTAVA

THE GROWTH of a number of government-owned and sponsored financial institutions in post-independent era provided considerable impetus to new issue market and imparted dynamism and new direction to underwriting activity in the country. Underwriting in the past was done essentially by stockbrokers and individual financiers on an ad hoc basis simply to take advantage of boom conditions without having regard to the real merits of the proposal. It was, therefore, mostly in the nature of either share pushing or stagging, not conducive to healthy development of the new issue market.

However, underwriting in the real sense developed since mid-fifties, thanks to the pioneering of the Industrial Credit and Investment Corporation of India. The basic objective of underwiriting activity by the newly set up financial institutions was to nurture new and nascent industrial projects by undertaking the responsibility of absorbing the unsubscribed capital. Instead of seeking large profits, these institutions aimed at providing general service at equitable rates. Thus, while considering underwriting proposals they have placed primary emphasis on the long-term viability of the enterprises concerned rather than on the immediate saleability of the issues.

Diversified field

A diversified and broad-based underwriting organisation consisting both of special financial institutions and traditional underwriters has thus come into existence and underwriting has to be universal so far as public offers of industrial securities are concerned. The special financial institutions particularly ICICI, LIC and IDBI have figured prominently in the underwriting operations outplacing the traditional underwriters from the industrial scene. Thus, these institutions have underwritten the security issues of substantially large number of industrial projects which comprised a little less than two thirds of the total underwritten business and had to take up large proportions of the securities so underwritten by them because majority of the issues were found undersubscribed. Further, in pursuance of their policy of disregarding immediate market prospects, financial institutions supported new issues at bad times when the traditional underwriters tended to withdraw from the market.

Concentration of funds

However, owing to cautious and conservative policy of these institution there has been found a large scale concentration of funds in higher grade security issues of large and well established industrial undertakings; smaller companies having received negligible proportion of their facilities.

Further, lengthy and cumbersome procedure of project evaluation, which was non-too-encouraging, has also scared away many a genuine industrial concerns particularly smaller ones. Thus, no adequate facility has been provided to smaller concerns who have limited access to capital market and face considerable problem in raising outside equity capital. The problem of these smaller concerns is very likely to assume new dimenions in the ensuing years in view of burgeoning demands of capital emanating from the establishment of a large number of smaller enterprises in the private sector. Some institutional arrangement is, therefore, called for to facilitate the placing of issues of smaller concerns in the market.

Another drawback of the present underwriting organisation in India is that the special financial corporations do not have adequate and systematised machinery for the distribution of underwritten security issues among the investors nor do they care to publicize the issue and contact the potential investors. In fact, they make ad hoc arrangements with stockbrokers for the sale of securities. Such arrangements have, however, not been found very satisfactory and the institutions had to hold new issues in their portfolio for quite a long period and funds to that extent were locked up which could otherwise be released for other new proposals.

In view of substantially large amount of capital requirement of up and coming enterprises in the fifth and succeeding Plans, there is an urgent necessity to bolster up a new issue market of the country which in turn calls for strengthening the existing institutional set up of the underwriting organisation. This is possible only if we redesign the present structure of underwriting organisation of the special financial institutions on the one hand and encourage the stock brokers underwriting on the other. While the former will enlarge the underwriting facilities for large and giant concerns the latter is likely to be helpful in the private placing of issues of smaller companies.

Role of ICICI

Thus, the ICICI, which at present is playing the role of a lender-cum-underwriter, has to assume a full-fledged role of underwriter specialising in sponsoring and floating security issues of new as well as existing ventures and since it is not possible for the ICICI to nurse all the new issues particularly those involving huge commitments and large risks, a consortium of the ICICI, LIC and UTI should be formed. There should be consortium underwriting in all such cases where the proposal involves more than one crore of rupees.

In such cases the leader of the consortium will enter into agreement with the issuing company and the amount of securities underwritten will subsequently be apportioned among the members of the consortium. It would be obligatory on the part of the syndicate to sell their respective shares of the underwritten issues. With a view to enabling the underwriting institutions to sponsor sound issues it would be useful to constitute a central project evaluation body.

Evaluation body

The central evaluation body equipped with technical and financial experts will, besides studying the trends of security market, undertake a detailed investigation into the viability of the project. The cost of this organisation should be borne jointly by the consortium members.

This arrangement will, apart from minmising the risk of the underwriters, ensure underwriting facilities to bigger industrial concerns. In the interest of wider and quicker distribution of securities, a sales syndicate with leading brokers and banks as its members may also be formed by the consortium. The sale sysndicate should be organised on regional basis and each syndicate should comprise of local security dealers and local banks having good contacts with individual and institutional investors of the area.

With a view to developing underwriting facilities for the small and medium sized concerns underwriting by stock brokers has to be stengthened. These stock brokers are very effective in the distribution of securities. They maintain regular contacts with their clients spread all over India by mail.

The author is lecturer in Business Management, Banaras Hindu University

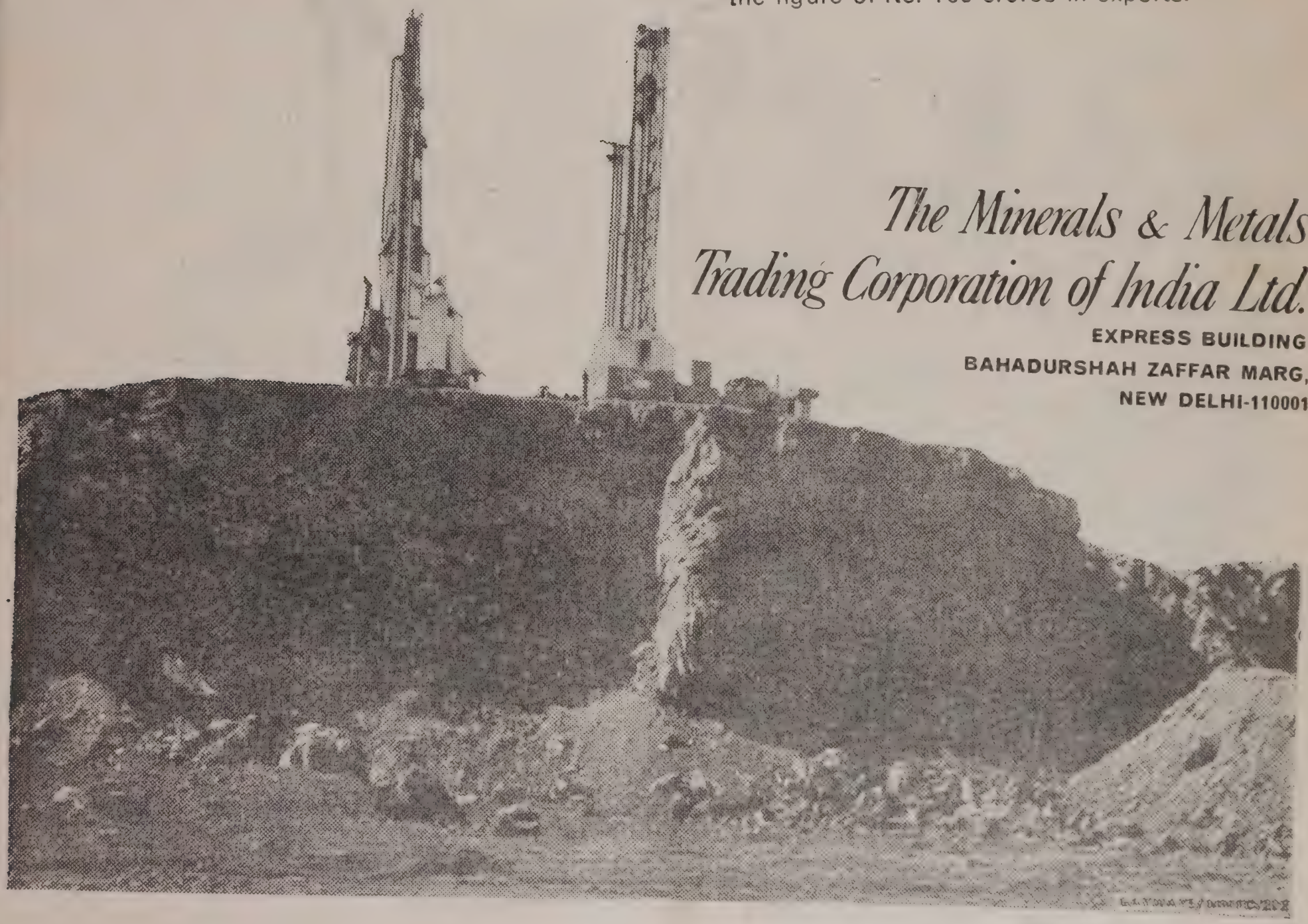
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commendations.

It is true that stock brokers e highly susceptible to the matic conditions of the stock arket and prefer to under-ite an issue if they regard the sue as a 'hot cake'. But the owing volume of underwrit-g business by broker-under-riters in recent years, is indi-tive of the keen interest in nderwriting activity.

It is interesting to note that 1973 stock brokers have ayed predominent role in nderwriting new issues; the osition of the special financial stitutions has been relegated ext to stock brokers. Some of ie leading stock brokers, viz., arikisondas Lukhmidas, Place, ddons and Gough, Lewis and nes, Marwanjee Bomanjee nd Champak Lal and Devidas ave done sizeable volume of nderwriting during the last ecade and hold out promise

for undertaking large business in the future.

In recent years prominent brokerage houses have in their anxiety to broaden underwriting facilities made concerted efforts to improve their internal organisation for the purpose of placing of new issues mainly by maintaining regular lists of clients. However, they are not equipped at all to carry out detailed technical appraisal of industrial proposals, though of course the reputed brokerage firms do satisfy themselves about the business integrity of the promoters.

Given adequate financial and other incentives these brokers could play an important role in the field of underwriting. Thus, to provide financial support to the stock brokers, a fund to be termed as 'Underwriting Fund' with a capital of Rs 10 crores should be formed by the IDBI with contributions from IFC, ICICI, UTI, LIC and IDBI.

A panel of leading stock brokers from different parts of the country who have had meticulous performance in the past in the field of underwriting should be prepared by the financial institutions and credit facilities should be made available out of this fund to the members on yearly basis. At the close of the year performance of each of the members should be appraised in terms of turnover of the amount lent out to them (relating the amount of lending to volume of underwriting) and type of issues underwritten. This will make the stock brokers conscious of their responsibilities. Stockbrokers should in no case be allowed to entertain a proposal involving more than five lakhs rupees.

Services of the project evaluation body, as suggested above, could be made available to these stock brokers in lieu of nominal consultancy fees. This would help the broker underwriters in sponsoring sound issues. There is no harm in allowing stock brokers to advertise and engage in the doorbell ringing methods to attract potential investors.

Further. to motivate than to take keen interest in underwriting and create continued interest in investors government should think in terms of revising the scale of underwriting commission and brokerage which have since long remained unchanged. This has also become imperative due to exorbitant increase in servicing cost.

Strengthening the institutional set up of the underwriting organisation on the line suggested will go a long way in building up a broad-based and diversified new issue market in the country which in its turn will facilitate the task of up-and-coming entrepreneurs to establish new enterprises and/or to expand the existing ones.

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Readers' Roundtable

A Word to the Wise

Sir,

I am sending herewith for publication an 'open letter' to Mr Fakhruddin Ali Ahmad, candidate for president's office:

"As voting in presidential elections is restricted only to MPs and MLAs, I am not a voter. I write this letter to to you as a citizen, i.e., one who elects those who elect the president.

In the Constituent Assembly, Jawaharlal Nehru said of the office of the president: 'We did not want to make the president just a mere figurehead, like the French president. We did not give him any real power but we have made his position one of great authority and dignity."

There are certain important issues with regard to this position of 'great authority and dignity' which I wish to place before you.

1. *Mode of Living — Housing*: The presidential estate occupies 133 hectares, the mansion has 340 rooms, the building itself occupies two hectares and has 2.5 kilometres of corridors, according to a news agency report.

The occupant would, however, do well to keep in mind that the country was short of 118 lakh housing units in urban areas and 696 lakh units in rural areas in 1967, and the shortage in both areas is expected to go up to 954 lakh units in 1979. Further that housing for government employees is woefully inadequate. In Delhi itself, about 60 per cent of them are on waiting list, some for as many as 18 years. The 37th report of Estimates Committee of Fifth Lok Sabha (April, 1973) has pointed out that in Calcutta only 8.06 per cent, in Madras 5.96 per cent, in Bombay 10.63 per cent central government employees have been given quarters. Further, as far as the general situation is concerned 'even according to conservative estimates, about 27 lakh people (15 lakhs in Calcutta and 12 lakhs in Bombay) are living in slums in two cities only in most unhygienic and insanitary conditions and in the city of Delhi 70 per cent of the population are living without basic amenities of life.'

I am not pleading that our president should live in squalor and in discomfort. Far from it. In fact, he should get all comforts and amenities to enable him to shoulder his responsibilities. What is required is a sense of proportion.

2. *Growing Expenditure*: At present there may be more employees, but even in 1971 there were about 2,000 attached to the Rashtrapati Bhavan. I understand that free water and electricity is supplied to all residents on the presidential estate under what is known as a grace of favour facility; that log books on presidential cars are not maintained at present. The expenditure on staff, household and allowances of the president has also been rising from year to year and has trebled in the last 16 years. According to demand for grants in budget papers, the presidential household cost the nation Rs 18.37 lakhs in 1958-59, whereas Rs 53.29 lakhs have been provided for in 1974-75 budget. In other words, *the presidential estate costs are about one lakh of rupees per week*.

I hope ostentation and pomp will be avoided, particularly use of special trains and planes for presidential trips. Recently, US president Richard Nixon and family travelled by a commercial flight. Though he was the president of the world's richest nation, he had to bow down to public opinion which was highly critical of the use of special planes by the president at a time of fuel shortage.

The Indian president gets a monthly salary of Rs 10,000. Although this is really less than Rs 2,500 today in terms of purchasing power of the rupee in 1956, when inflation started in this country, still it is 666 times the monthly expenditure of 40 per cent of Indian villagers who are living below the poverty line,

3. *Public Morality*: As the head of the state, the president should maintain and set up standards of public morality.

First, there should be a audited statement of president's personal assets. This should be given to the public at the beginning as also at the end of the term. He should use his moral pressure on ministers, central and state, to do likewise.

Second, gifts received by the president during his tenure should be handed over to the *toshkhana*. I believe this is the name for a place where gifts received by dignitaries are kept by the state.

Third, the president and immediate members of his family should not go out shopping. Sometimes, blackmarketeers take advantage of this to get themselves photographed with the distinguished customers and use the photos to intimidate government authorities who want to take action against them. This is specially true of mofussil places.

Fourth, it seems that the present custom is to reserve a block of seats in theatres for the presidential party, on a complimentary basis. This should be changed as in UK where the royal family pays for its tickets.

Fifth, in matters of day-to-day living, the president should not set himself apart from common citizens by getting privileges. The example of the King of England during wartime is worthy of emulation. He is said to have refused extra rations of sugar etc. saying that he would share the joys and sorrows of his subjects.

Sixth, people feel helpless today that corruption at higher levels goes unpunished. If petitions are made to the president against corrupt ministers, the moral authority of the president should be exerted to see that the charges are investigated by an independent tribunal and proper and deterrent action is taken.

4. *The President and the Public*: I have to record the unpleasant fact that at present the public is scared of visit of dignitaries to their cities. They consider it as a visitation rather than visit. For hours together, certain roads are closed for traffic causing great inconvenience to the general public. Also, even half an hour before the dignitary passes on a particular route all traffic is stopped. One has to listen to public comment to believe what they say when they miss trains or visiting some one in a hospital during visiting hours all because of an obsession of authorities with the security of the VIP. Indeed, the security and speed aspect of a VIP's visit should not be carried too far.

Moreover, airports in Bombay and elsewhere are closed for hours together dislocating several flights, just because a VIP plane is about to land or take-off!

Even though we cannot fully copy what is happening elsewhere, it is worth remembering that the Swiss president travels in a bus, and the Austrian president lines up in a queue, like other citizens, at skiing centres.

5. *Functional Aspects*: Even during ordinary times, the president has some important constitutional functions.

First, when parliament is not in session, ordinances are issued under president's signature. But this power should be exercised circumspectly. Otherwise, it amounts to usurpation of parliamentary authority, and the president becomes India's costliest rubber stamp.

Second, the president makes 12 nominations to Rajya Sabha of 'persons having special knowledge or practical experience in respect of such matters as the following namely: literature, science, art and social service'. Such nominations should not be used to smuggle into parliament by the backdoor persons who have

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dy politic. Why not end
em?

6. *The Common Touch*: he president moves only in e company of presidents, rime ministers, ministers and nvoys. In course of time, uman nature being what it is, e is likely to think that the orld is made up of only such ersons. As a corrective to is, it would be a healthy ractice if he reserves some me to meet the truly great, z., the saints and scholars, nd also sportsmen, artistes, nd ordinary men of character ch as many devoted teachers postmasters.

7. *Loyalty to Constitution*: he president should not for-t that his first loyalty is to e Constitution. On assump-on of office he swears that he ill to the best of my ability reserve, protect and defend e Constitution and the Law'.

He does not belong to any rty, but to the nation. A rtisan president betrays the onstitution to which he vears his allegiance. As ndit Nehru observed during e discussion in the Consti-ent Assembly, the president ould function with complete impartiality whether he was a party man or not.

8. *Not 'highest office'*: Finally, the president should never forget that although he is the first citizen of the country, he does not hold the 'highest office'. *In a democracy, the highest office is held by every citizen.*

With all good wishes."

M.R. PAI

Bombay

Incometax from Professionals and Contractors

Sir,

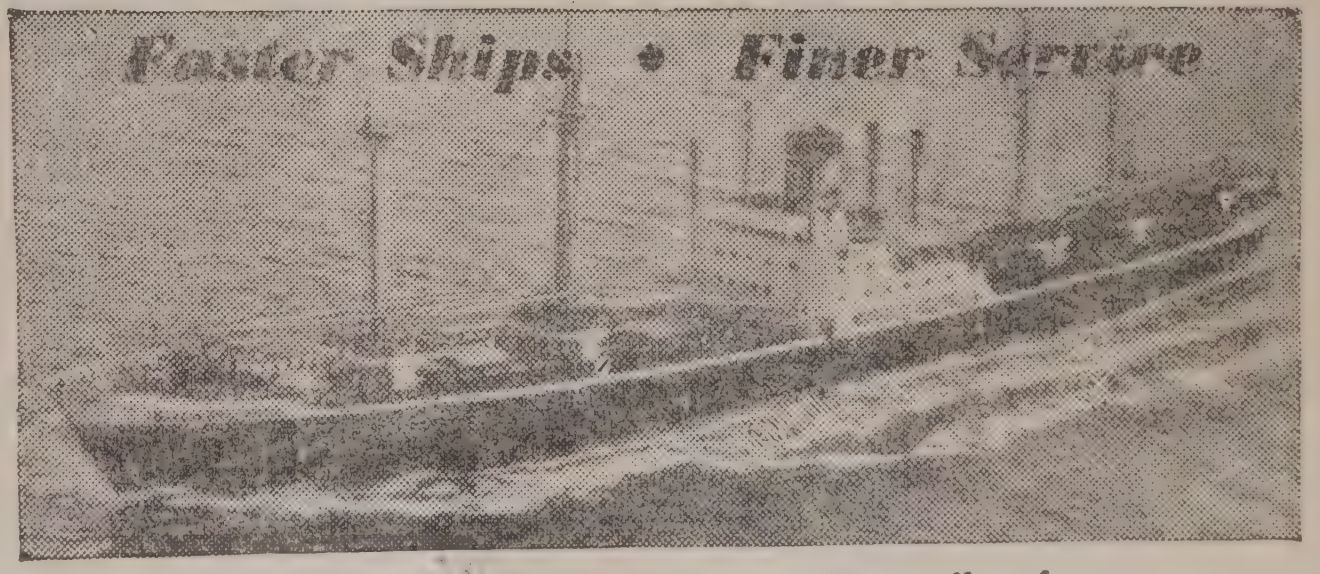
The government now seems to be really keen on bringing professional income within the income tax net. I suggest:

(a) All incometax assessees claiming expenditure for professional fees paid in whatever shape to whomsoever, whether individual, firm or other form of business organisation and whether in the capacity of expert, adviser, or counsel, whether appearing in court or doing chamber practice etc., etc., should be asked to deduct 10 per cent as income tax and deposit the same with government. This can be treated as advance payment of tax on behalf of the professionals; something like this is being presently done in respect of contractors.

(b) The present rate of two per cent applicable to contractors is too low. Many contractors do not bother this deduction at all. This should be raised at least to 10 per cent. This is the class most benefited by Plan expenditure and it should therefore contribute substantially to the exchequer.

AN ACCOUNTANT

Visakhapatnam

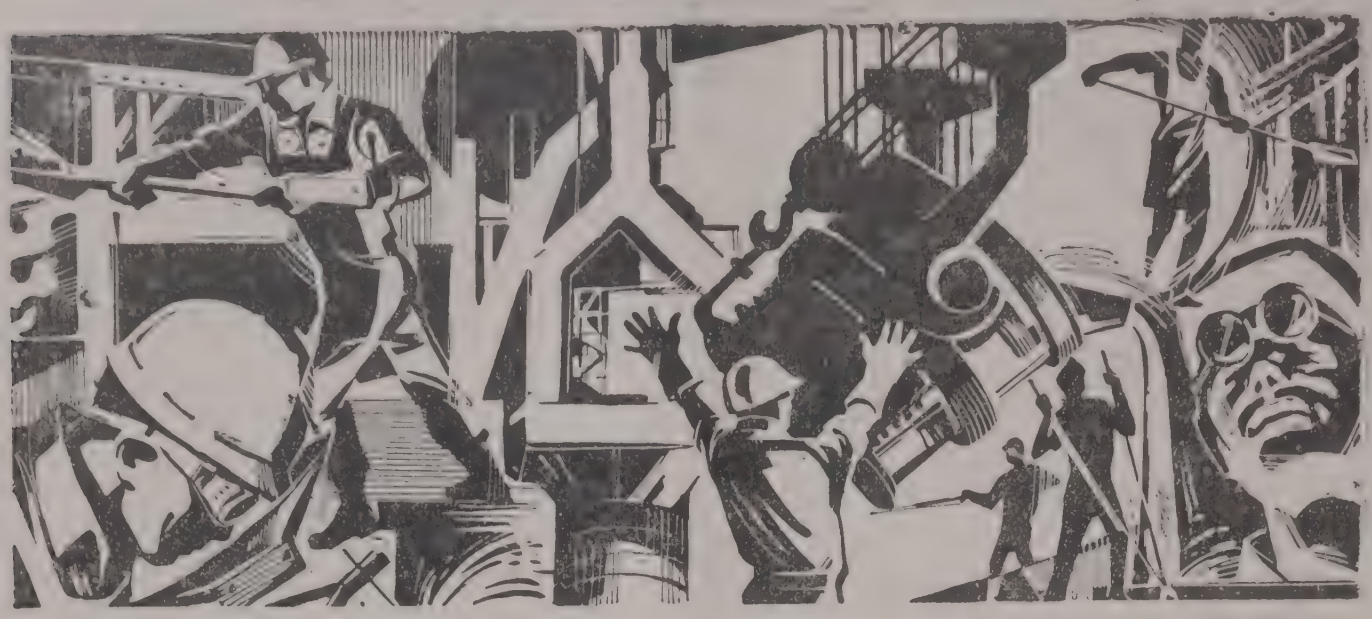


Our fleet of seventeen modern freighters offers fast, regular and dependable service between

INDIA—U. K. & THE CONTINENT ⊙ INDIA/BANGLADESH—SOUTH AMERICA
INDIA—BLACK SEA & EASTERN MEDITERRANEAN PORTS
INDIA—POLAND Also around the INDIAN COAST

INDIA STEAMSHIP CO., LTD.
"INDIA STEAMSHIP HOUSE", 21, OLD COURT HOUSE STREET, CALCUTTA-1

Twenty seven years of Independence



Twenty years of significant service

Born in 1954, Hindustan Steel Limited was perhaps the largest and boldest venture of Free India. We believe we have made some contribution to our coming of age as an industrial nation; we have helped to develop our material and human resources, our self-confidence and self-reliance.

GROWING INDUSTRIES

To India's growing industries, as on March 31, 1974, the Bhilai, Rourkela and Durgapur Steel plants of Hindustan Steel have supplied over 12.8 million tonnes of pig iron, one million tonnes of ingots, 7.3 million tonnes of semis, and over 22 million tonnes of finished steel.

We have also supplied about 5.6 million tonnes of coke, a million tonnes of coal chemicals, and 5.3 million tonnes of miscellaneous by-products that include middlings, slags, dolomite, etc.

To the agricultural industry, we have so far supplied over 1.8 million tonnes of calcium ammonium nitrate and 550,000 tonnes of ammonium sulphate—fertilizers, manufactured from by-products, vital to improving India's agricultural yields. Besides, we have ensured a steady supply of steel for irrigation projects, construction of dams, deep tubewells, silos, farm equipment and other agricultural uses.

The total sales value of all these materials amounts to approximately Rs 3594 crores excluding exports.

The approximate break-up of finished steel despatches from the public sector plants as on March 31, 1974 is as follows

	Quantity in million tonnes	Percentage of total despatches
A. Defence	0.88	3
Railways	4.50	20
Other Government departments	4.94	22.5
Total (A)	10.32	45.5
B. Industries	6.97	32
C. Stockists, including HSL stockyards	4.95	22.5
Total	22.24	100

The Alloy Steels Plant has supplied 20.6 thousand tonnes of ingots, and 188.2 thousand tonnes of finished tool, alloy and special steels valued at Rs 88 crores to the country's sophisticated industries such as automation, aviation, atomic energy, ordnance factories, machine tool industries, etc.

Between October, 1970 and March, 1974 Hindustan Steel has imported a little over 2 million tonnes of steel to meet the urgent needs of priority industries.

To ensure a steady supply of vital inputs like coke, iron ore, limestone, etc. for its plants, Hindustan Steel has developed its own captive mines, quarries and washeries, which have produced millions of tonnes of the materials required.

DISTRIBUTION

A Central Sales Organisation, backed by a network of 20 stockyards throughout the country, has been set up to ensure prompt delivery and equitable distribution at reasonable prices. The total sales turnover since inception, including exports, has been Rs 3886 crores.

Since the Bokaro Steel Plant went into operation in October 1972, over half a million tonnes of pig iron valued at Rs 31.5 crores, have also been supplied through our Central Sales Organisation to meet the country's demand.

FOREIGN EXCHANGE EARNINGS

Hindustan Steel entered the export market with pig iron and semis in 1959; subsequently stepped up its exports to cover a wide range of products particularly when there was a decline in the domestic demand for steel. So far over 6 million tonnes of pig iron, ingots, semis, finished steel products and coal chemicals have been exported to over 40 countries in six continents against international competition, earning nearly Rs 241 crores (FOB) worth of valuable foreign exchange for the country. Since commissioning of its first blast furnace, Bokaro Steel has exported through Hindustan Steel, pig iron valued at Rs11 crores(FOB).

MANPOWER DEVELOPMENT

Hindustan Steel has directly employed and developed a new generation of over 130,000 industrial workers and managers and generated new skills and technological disciplines which are a basic necessity for the sustained growth of any modern steel industry.

CONSULTANCY SERVICES

The realisation that the development of an indigenous consultancy,design and engineering service was imperative to Indian Steel led Hindustan Steel to establish in 1959 its Central Engineering and Design Bureau. It is now an independent Company : "Metallurgical and Engineering Consultants (India) Limited" (MECON)

MODERN TECHNOLOGY

Our plants incorporate the latest developments in steel like the LD Process, sintering, etc. Other technological innovations to increase steel productivity and conserve scarce raw materials are being taken in hand. Some of these are : high top pressure, auxiliary fuel injection, oxygen lancing, slag granulation, pelletization, beneficiation of iron ore, etc. A nucleus of Research and Development has been formed.

In keeping with market demand, product diversification and rationalising of various sections have been initiated. We have introduced in the market cold rolled galvanized sheets, plain galvanized sheets in coils, electrolytic tinplates, heavy rails to Indian and international specifications, etc.

FINANCIAL POSITION

This is the financial position of Hindustan Steel Limited as of March 31, 1974 :

	Rs (in crores)
Total income	4284
Less : Excise duty and Freight outward	289 544
Net income	3451
Total expenses	2896
Leaving Cash surplus	555
Stock of finished and semi-finished products	151
Total surplus	706
Out of this, Government dues on interest	269
We are left with	437
But had to account for depreciation	683
	(—) 246

In the year 1973-74, we have made a profit of Rs 4.81 crores, thus reducing the previous under-provision of depreciation to Rs 246 crores. This represents our accumulated loss so far. From our cash reserves, we met our working capital needs as well as re-invested Rs 118 crores on additions and balancing facilities, and repaid long-term and short-term Government loans to the extent of Rs 170 crores. Our outstanding Government loans are Rs 374 crores.

Currently, our plants have to provide annually depreciation of about Rs 69 crores and interest charges of about Rs 24 crores, that is a total of Rs 93 crores. Cost escalation of inputs last year was estimated at Rs 38 crores. Excise duty paid in 1973-74 was Rs 101 crores, as against Rs 96 crores paid in the previous year, and yet, significantly, the per tonne steel price in India is way below world steel prices.

WHERE WE STAND TODAY

Today, Hindustan Steel Limited is 20. Young yet mature. To get where we are, we have had to struggle hard and overcome many obstacles including our own inexperience. Harder struggle lies ahead because as our production increases, the infrastructural imbalances—raw materials, transporation, power—come in the way. But we are confident of our progress.

It is the vitality of youth and the faith in our future that have helped us along, even as it has helped along our nation. As we take stock and look to the future, we steel ourselves for greater efforts. With the formation of the Steel Authority of India Limited, we feel confident of more efficient, more productive service to India.

HINDUSTAN STEEL

HSL 8069

"..... the name of our Company from India Tobacco Company Limited to I.T.C. Limited. This heralds more than just a name change, for the change itself represents the culmination of several years of conscious identification of Company objectives with national aspirations, and the pledge to continue to reinforce this identification further in the months and years to come."

I.T.C. LIMITED

Chairman, Shri A. N. Haksar's statement at the Sixtythird Annual General Meeting on Thursday, 1st August, 1974.



Shri A. N. HAKSAR

INTRODUCTION

On behalf of the Board of Directors, I welcome you to this 63rd Annual General Meeting of your Company, and extend to you our most cordial thanks for your presence here today.

Shri A. K. Mitra and Shri J. B. Singh, both Directors of your Company, retired from the Board from 2nd April 1974, after many years of service. I would like to place on record our deep appreciation of their services, and wish them both all the very best for the future. Your Board has taken this opportunity to enlarge its membership in order to strengthen the management machinery at the highest level. Shri S. K. Banerjee, Shri A. Basu, Shri S. Ghosh, Shri R. Monani and Shri J. N. Sapru joined the Board on 2nd April 1974.

Your Company continued to receive awards and tributes from many directions in recognition of creditable performances in various sides of its business. To cite a few :

1. The Indian Merchants' Chamber Diamond Jubilee Endowment Trust selected your Company for their Award for "outstanding contribution for improvement of Industrial Relations". This Award was made in February this year and was in the nature of an unsolicited public recognition on the heels of the Federation of Indian Chambers of Commerce & Industry's Award to us in 1972 for similar outstanding performance in Industrial Relations.

2. At the World Selection for tobacco and tobacco-made products held in Paris this year, all six ITC brands of cigarettes entered received Awards. INDIA KINGS, with six gold medals to its credit now, is the only Indian cigarette to be so honoured.

3. As an Eligible Export House, your Company's exports of non-tobacco products earned it the Export Badge of the Chemicals & Allied Products Export Promotion Council.

4. Our Diversification & Export Press Advertising Campaign launched by one of our advertising agencies late last year received the Air India trophy, which is the Commercial Artists' Guild's (CAG) highest Award.

5. Our Printing and Packaging Division at Tiruvottiyur—which, by the way, has always produced our Report and Accounts covers—has won the India Star Award for 1974 in March this year.

REVIEW—RESULTS

The Report of the Directors, which is already with you, will indicate that the Company has completed another successful year of operations. Corporate turnover, led by a demand revival of our cigarettes and tobacco products, has shown an impressive growth of over 20% compared to last year. Our exports of non-traditional items have continued to forge ahead, and this year have reached nearly Rs. 6 crores—a long way from a humble beginning made only three years ago. Our profits continue to be progressive and healthy, a result I am happy to report, when note is taken of two relevant factors : firstly, the economic crisis that surrounds the industrial environment and secondly, the inhibiting effects of an excise structure based on obsolete premises.

INFLATION IN THE ECONOMY

The nation has known inflation for almost two decades, and accepted a reasonable level of around 6% to 8% as an inescapable phenomenon which accompanies the conversion of an agricultural community to an industrial society. The origins of the present inflationary phase may be traced back to 1970/71 and 1971/72, when massive public outlays were made and staggering budgetary deficits resulted. Fortunately, these particular years witnessed buoyant agricultural outputs, which overcame the constraints of arrested growth of industrial production and thus the overall price escalation forces were temporarily held in leash. This volatile position could not be sustained indefinitely and with the 1972 failure of the monsoon, the lid on runaway inflation was taken off. In 1972/73, prices of foodgrains and agricultural commodities registered a sharp increase, and with modest increases in other sectors, the wholesale price index of all commodities escalated over 20%.

Conditions during the year under review were even more depressing. Not only did the rate of inflation in the agricultural sector not reduce despite better harvests, but the cancerous growth of runaway inflation extended into other vital areas of power and fuel, transportation, intermediate products and industrial goods among others. This all round character of inflation, which seems to gather momentum with every passing month since the middle of 1973/74, is the most disquieting feature of the current inflationary spiral, apart from the fact, of mere statistical importance now, that inflation was of the order of 25% by the end of the year. Growth in industrial production, which has almost come to a standstill, has been continuously impaired by shortages of raw materials and essential inputs, transport bottlenecks and widespread power crisis.

THE MANAGEMENT OF INFLATION

Your Company has firmly believed that its prosperity, current and future, is inexorably interwoven with the fund of consumer goodwill that your Company's products enjoy. This has been carefully nurtured and constantly reinforced over many years of genuine concern for, and service to, the consumer on numerous fronts, mainly centred around quality, variety, price and ready availability in the right quantity in the right place at the right time in prime condition. The second consecutive year of extraordinary inflation seriously threatened to undermine the basic foundations of consumer service, so assiduously developed over six decades.

The threats were quickly perceived early in the year and prompt action was taken to face upto the twin challenges of uninterrupted production and timely distribution on the one hand, and the management of inflation-

The organisation was put into top gear to achieve closely-controlled physical targets in every sphere of its business and a series of measures were taken to beat inflation through innovation and productivity. The situation demanded quick reflexes to meet rapidly changing market conditions and it is to the credit of your Company's employees that they were unsparing in their efforts to keep the wheels of production in motion and responded to every need in the market place. Standby power generation arranged at our major production units, planned machine maintenance and overhauls, and efficient programming of manufacture resulted in more effective utilisation of productive capacity and higher machine efficiencies. Certain raw materials of indifferent quality did pose some problems, but none were too great that could not be resolved with adaptive technology and innovation designed to reduce waste and maintain product quality.

Prices of some major raw materials continued to escalate alarmingly throughout the year, but stricter financial discipline, better utilisation of plant and machinery, higher labour productivity and improved conversion efficiencies blunted their effect on unit product costs. I am pleased to state that unit product costs were not allowed to increase over 5% on average for 10 months of the year. This creditable productivity performance under such adverse circumstances provided your Company the necessary strength to refrain from making price adjustments over and above any that were absolutely essential, and in any case, to defer making them until the last possible moment in the consumer interest.

But here I would like to sound a note of caution. It must be recognised that while the concerted attempt at cost reduction has paid handsome dividends, it must also be realised that this has resulted in the foreclosure of a number of productivity options during the year. To expect an equally sterling performance in the future year in the wake of all round inflation showing no signs of abatement, despite our best efforts which continue, would be unrealistic. Invariably, unit product costs will mount more sharply than in the year under review, thereby exerting greater pressures to raise net prices to maintain present bedrock margins.

EXCISE

I have earlier said that your Company recorded an impressive growth of corporate turnover, out of which the traditional business has accounted for Rs. 43 crores. However over three-fourths of the incremental turnover has accrued to the Government in increased collection of excise duties —a total additional revenue of Rs. 37 crores in one year, a level of marginal collection it took your Company three years in the immediate past to achieve.

This grinding pace of resource mobilisation from your Company and most others in the cigarette industry has some very serious implications, because the strategy of revenue maximisation by the Government invariably relies on frequent and stiff escalation of cigarette excise duty rates, without any apparent concern for the buoyancy of the taxable value base, which in turn is wholly dependent upon volume expansion. A simple illustration will highlight this point. During the last five years, cigarette excise collections have increased from Rs. 108 crores to an estimated Rs. 240 crores this year, a spectacular increase of 120%. During this period, industry volume on which these duties have been paid has only increased by 8%. This inordinate reliance on higher and higher duties is unquestionably a 'high-risk' course, because this policy has resulted in a growth of only 21% in the taxable value base during five years. An indirect taxes policy on cigarettes which only allows a 4% natural expansion annually in the taxable value, is prima facie in need of overhaul.

Per capita consumption in the country is about 9 cigarettes per head per month, and therefore the scope of volume expansion is unlimited. It only needs the adoption of a growth-oriented taxation policy to replace the existing excise structure to unleash the forces of demand followed by production, for which considerable unutilised capacity currently exists and more is in the process of being set up, and for which purpose virtually all inputs are indigenously available. I submit that a reassessment be made of the Indian cigarette consumer in order to determine the structure of demand, and a totally rational cigarette excise system be devised, which would also take into account current realities of the costs of production.

Two proposals automatically come to mind. Firstly, immediate steps should be taken to fix a more pragmatic ceiling of combined duties at say 200% ad valorem in place of the present 320%. The latter has the effect of extracting from the consumer a punitive premium of Rs. 4.20 in extra price, to enable the manufacturer to compensate Re. 1 of inflation. And secondly, the automatic buoyancy in revenues at current rates, afforded by significant increases in unit taxable values following the expected spurt in unit product costs in 1974/75, should be borne in mind by the authorities when next contemplating tariff revisions.

THE NEW LOOK

At an Extraordinary General Meeting of your Company held on 14th March 1974, you unanimously passed a resolution which changed the name of our Company from India Tobacco Company Limited to I.T.C. Limited. This heralds more than just a name change, for the change itself represents the culmination of several years of conscious identification of Company objectives with national aspirations, and the pledge to continue to reinforce this identification further in the months and years to come. With the continued development and accelerated progress of our diversified activities, your Board felt that the name of the Company should no longer be merely associated with tobacco. Although the cigarette and tobacco business will remain our primary interest in the foreseeable future, we are seeking to spearhead progress through growth from within, with the accent on vital new priorities. Hence, I.T.C. Limited from 1st April, 1974.

During the year, considerable progress was made in the execution of the Company's Hotels project. Construction of Hotel Chola in Madras is in full swing and it should be fully on stream by the end of 1974. Suitable sites have been located at Agra and Delhi, where work is scheduled to commence later this year. Designed to attract foreign custom, this project, in the priority sector, is expected to generate foreign exchange earnings of about Rs. 3 crores annually when in full operation, and create direct employment for about 1,500 persons, apart from indirect employment generated in quite a few small scale industries, especially those employing artists and craftsmen.

Our Marine Products business has turned in another year of increased turnover, having exported a wider range of frozen and canned products, principally to the USA and Japan. This phase of our business has been the first step in the establishment of an integrated activity of trawling and procuring, processing at our processing plants and exporting our Marine Food products. The stage is now set for the commencement of the next phase—independent trawling operations and the setting up of shore establishments to process the catch. These establishments are proposed to be located in backward areas and when in full operation will create direct employment for about 1,000 people, and in addition indirect employment through ancillary industries and suppliers.

Exports of other non-traditional goods of a wider range and to diverse customers in international markets have been achieved. Products include wrapping and packing materials, myrobalan, chemical and allied products, engineering goods and leather products in addition to cigarettes. Emboldened by our success, we have opened an export office in New York.

With the transformation of the Company from a unified traditional tobacco business to a clearly identified multi-product, multi-activity operation, it has become essential to reorganise ourselves internally, in order to satisfactorily manage and control the associated stresses and strains. To this end, it has been decided by your Board to divisionalise the Company's operations, whereby each business is identified and is allowed to function as an independent division, complete with its own management team, under the overall ITC umbrella. And so there is the emergence of the Tobacco Division, Hotels Division, Marine Products Division, Printing and Packaging Division and General Exports Division. Management strength is being imparted to each division by blending the best entrepreneurial talent with professional management. It is my belief that ultimately the dynamics of any business are provided by the leadership of its top management and the quality of its decisions. In recognition of the challenges ahead, including the paramount need to harmonise and integrate divisionalised operations in the present industrial environment, it is befitting that your Board has been enlarged and strengthened.

Two years ago I had mentioned, on a similar occasion, the desire of your Board to Indianise the equity shareholding of your Company beyond the stage reached after the January 1970 issue of equity shares to Indian Nationals, and reported the approval in principle of the Government in this context. I am happy to state that necessary sanctions have been obtained by the non-resident shareholders to offer for sale a part of their equity shareholding to Indian Nationals, in such manner as prescribed by the Government, which upon completion,

expected by the end of next month, would have the effect of increasing Indian participation to 40%. This offer, in which existing Indian shareholders, our employees, the general public and others are invited to subscribe, will be made at par, thereby conferring substantial benefits on the Indian investors. Other specific proposals are before the Government, which upon implementation will result in the foreign shareholding reducing to a minority in the near future, and to under 40% in the foreseeable future. Our foreign shareholders deserve our thanks for having appreciated the Government's policy in this regard long before it was widely publicised and having commenced the process entirely voluntarily some years ago. This carefully paced operation will provide the Company, as it has in the past, the opportunity to gradually adjust to the changing circumstances, without imposing any unnecessary burdens.

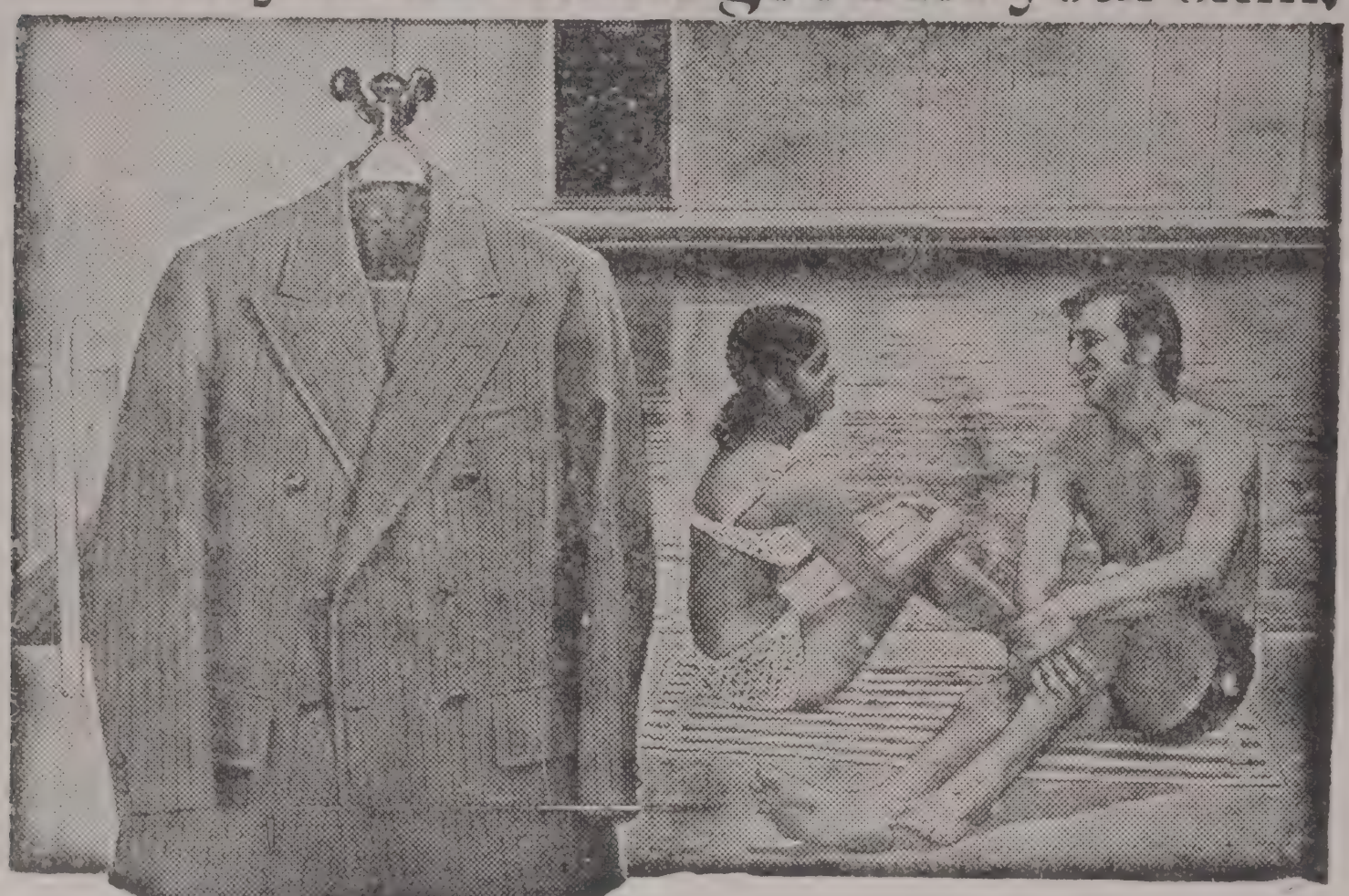
CONCLUSION

And finally, I shall attempt a look into the future of your Company. It is no secret that in recent months, the industrial picture and business conditions have been no better than towards the end of the year under review. The series of Ordinances just promulgated, it is hoped, will achieve the results for which they have been designed, for only then would there seem to be any purpose in the sacrifice you are temporarily required to make in terms of the Companies (Temporary Restriction on Dividends) Ordinance.

In I.T.C. its people are its greatest asset and we owe each and everyone of them our gratitude for their willing and spontaneous co-operation in these difficult times. In them resides our greatest strength, which we continually keep fortifying as a matter of deliberate policy. In any period of trial, such as we face in the immediate future, the mettle of all of us who work in the organisation is put to test. I am convinced that your Company is appropriately equipped to face the challenges with courage and determination, and we can look forward to the future with some measure of confidence.

This does not purport to be a report of the proceedings of the Annual General Meeting.

May be the sun is good for your skin,



but is it good for your suit?

Constant exposure to the sun can give your suit that old look. It gets faded and dull. It loses that newness, that elegance! A Jiyajee Suiting has that brightness of colour, that fastness of colour!

A Jiyajee Suiting has that lustre and a wide range to offer. Yes, a Jiyajee Suiting can take the sun and a lot more.

JIYAJEE

TERENE SUITING

SHIRTING & DRESS MATERIALS

JIYAJEERAO COTTON MILLS LTD., BIRLANAGAR

COMPANY AFFAIRS

Gaining Heart?

ON AUGUST 6, Mr Pheroze Jeejeebhoy, chairman of the Bombay stock exchange, was arrested on the orders of the judicial magistrate, Ahmednagar for alleged offences relating to cheating and possession of unauthorized currency and subsequently released on personal bond. Traders on the various stock exchanges refrained from conducting business as a protest against the arrest of Mr Jeejeebhoy. The Bombay stock exchange remained suspended for the rest of the week although trading was resumed at other centres. Mr Jeejeebhoy obviously commands the respect and trust of the stock exchange fraternity and it was natural that there should be an attempt in those circles to express sympathy for him in his unfortunate predicament. At the same time it is worth considering whether the members of the Bombay stock exchange were justified in bringing trading to a halt for several days at a time when investors were more than usually anxious about equity trends or the investment outlook. The action taken against Mr Jeejeebhoy is, after all, according to due process of law and there is no reason to believe that he will not get justice in our law courts. In the circumstances it would seem that the Bombay stock exchange had over-reacted to this episode.

Fortunately there has been some active trading on the stock exchanges in Calcutta and Madras and this has helped to reveal that investor sentiment is recovering gradually. Thanks to continuing news of good corporate results as well as announcements of bonus issues, investors obviously, are being encouraged to take a relatively long-term view of equity yields. There have also been reports, for what they are worth, that the government might consider reliefs or concessions while replacing the dividend restraint ordinance by normal legislation.

The three electric companies in the Tata group have announced bonus issues—the *Tata Power Company* one new share for every five shares held, by capitalizing Rs 113.38 lakhs from the general reserve; the *Andhra Valley Power Supply Company* one new share for every nine held, for which a sum of Rs 37.01 lakhs would be capitalized from the general reserve; and the *Tata Hydroelectric Power Supply Company*, one new share for every 12 shares held, for which a sum of Rs 22 lakhs would be capitalized from the general reserve. All the three companies had paid an interim equity dividend of five per cent for the year ended March 31, 1974, but no final equity dividend has been declared in view of the ordinance restricting dividends.

Suggestive of the improving sentiment in the capital market was the satisfactory response evoked by the new issues of *Centron Industrial Alliance Limited* and *Traco Carbide Limited*. Incidentally the promoters of these issues had apparently taken steps to ensure that they were well-received.

The results of the elections held on June 28 last for the board of directors of the *National Rayon Corporation* were announced on August 8. Nominees of the Unit Trust of India for the places on the board were defeated by the nominees of the Kapadias in a keen proxy war. Following this, Mr Naval H. Tata, chairman of the company, tendered his resignation. The National Rayon board now comprises 11 members, either belonging to the Kapadia group or enjoying its support. Its strength will increase to 12 when Mr B. R. Patel, the ICICI nominee joins it. The new board, which includes personalities prominent in the manmade fibre industry, may be expected to provide effective leadership to a management which for some time now has been distracted by internal power struggles.

While the dividend restraint ordinance has come in the way of companies rewarding their shareholders in accordance with disposable profits, the government's hard money policy, ironically enough, has virtually forced company managements to raise rates of interest on deposits from the public in a bid to compete with commercial banks (which recently raised their deposit rates). Several companies have decided to step up their interest rates on deposits from the public by half a per cent to 2.5 per cent depending on the term of the deposits. Shareholders are given preferential treatment by being offered half a per cent extra. Quite a few companies have also decided to give the benefit of the enhanced rates to deposits already placed with them, for the remaining period of those deposits.

Shree Digvijaya Woollen Mills

Shree Digvijaya Woolen Mills has come out with marked improvement in its working results for the year ended March 31, 1974. The equity dividend, however, is being maintained at 10 per cent. During the year sales spurted by about 40 per cent to Rs 4.22 crores from Rs 3.02 crores while gross profit more than trebled, rising spectaeularly from Rs 17.58 lakhs to Rs 65·19 lakhs. Out of the gross profit, the directors have allocated a sum of Rs 17.20 lakhs to depreciation reserve, Rs 6.97 lakhs to development rebate reserve and Rs 16 lakhs to taxation as against Rs 6.28 lakhs to Rs 0.08 lakh and Rs 7 lakhs provided respectively in 1972-73. The net profit after these allotments worked out to Rs 25.02 lakhs as compared to Rs 4.22 lakhs a year ago. With a view to augementing the working capital, directors have decided to issue 239, 667 rights shares of Rs 10 each at par to the existing shareholders in the ratio of two rights shares for every five shares held. During the year the operations of 12 Sulzer automatic looms and high pressure top dyeing and finishing machines have enabled the company to improve the quality and range of its products. Therefore, the company could not only cater to the requirements of high quality-products in the home market but also increase its exports from Rs 23.72 lakhs to Rs 42.8 lakhs.

India Steamship

India Steamship Co Ltd has made fine progress during the year ended March 3I, 1974. Gross profit jumped by about 50 per cent to Rs 5.09 crores from Rs 3.39 crores in 1972-73. The directors have raised the allocations to all the reserves. The appropriation to depreciation reserve was stepped up from Rs 1.69 crores to Rs 1.80 crores, to development rebate reserve from Rs 1.05 crores to Rs 1.08 crores and to taxation reserve from Rs 25 lakhs to Rs 46 lakhs. The net profit after these alotments too recorded a spectacular rise from Rs 39.35 lakhs to Rs 175 lakhs. The shareholders, however, cannot derive the benefit by way of higher dividend in view of the ordinance. The directors have recommended a dividend of 12 per cent as against 15 per cent paid in the previous year. This will absorb Rs 29.70 lakhs as

compared to Rs 37.15 lakhs in 1972-73.

Hindustan Motors

The board of directors of Hindustan Motors has decided to skip the equity dividend for the year ended March 31, 1974. According to the preliminary statement the company's profit, subject to audit, for the year was Rs 3.35 lakhs after taking into account the brought forward amount of Rs 6.11 lakhs. This profit has been arrived at after providing Rs 3.60 crores for depreciation and Rs 4.70 lakhs for development rebate reserve. No tax liability for the year is expected. The profit of Rs 3.35 lakhs is carried forward to the next year's accounts.

Bharat Steel Tubes

Bharat Steel Tubes has proposed an equity dividend of 58 paise per share for the year ended March 31, 1974 on an enlarged capital resulting from the one-for-one bonus issue as against Rs 1.20 declared for 1972-73. Gross profit during the year recorded a smart rise to Rs 1.81 crores registering a gain of Rs 0.50 crores over 1972-73. Out of the gross profit, the directors have appropriated a sum of Rs 31.25 lakhs to depreciation reserve as against Rs 31.40 lakhs in 1972-73 while the allotment to development rebate reserve was enhanced from Rs 31,000 to Rs 48.000. Taxation aborbed Rs 97 lakhs as against to Rs 57.70 lakhs in the preceding year. The net profit after these allocations amounted to Rs 52.73 lakh as compared to Rs 41.58 lakhs in 1972-73. After adjustments to surplus amounts amount of Rs 60.93 lakhs was transferred to general reserve.

ACC

The Associated Cement Companies Ltd., which holds 49.8 per cent of the share capital of ACC-Vickers-Babcock Ltd. (AVB) have decided to sell their Shahabad heavy engineering (SHE) complex in Karnataka to AVB effective from August 1, 1974. Pursuant to the country's need for increased power capacity, investigations were carried out with the assistance of a specialist from Babcock and Wilcox, U.K., to explore the most economical and quickest way of doubling AVB's present capacity to manufacture power boilers. Taking over ACC's existing facilities at SHE was found to be the most attractive proposition, as further expansion at AVB's works at Durgapur would have been more costly and time consuming, and expansion at a new site would have required a very sizeable outlay of cash additionally by AVB. AVB will continue to manufacture cement-making machinery and iron ore pelletising plants at SHE. The fixed assets of SHE will, be acquired by AVB issuing equity shares and debentures to ACC in a scheme of transfer which will be put up to ACC's shareholders for approval at the next annual general meeting to be held in December this year.

International Tractors

Mr Keshub Mahindra, Chairman of International Tractor Company of India Limited, at a ceremony held recently in Bombay, drove out the 50,000th tractor produced by the company at its Kandivli plant. International Tractors is the first company in the country to have achieved this production figure. The company started production of tractors in 1966 and its present rated annual capacity is 10,000 tractors. Ninety-five per cent of the tractors manufactured by the company is indigenous. The company has now received a letter of intent for the production of an additional 10,000 tractors, raising the annual licenced capacity to 20,000 tractors. With this expansion the company plans having two more models—one of 52 H.P. and the other of 68 H.P. This will be in addition to the two models,—International 434—a 44 H.P. tractor and International B-275—a 35 H.P. tractor—being currently produced by the company.

The company entered the export field last year. To-date the company has secured export orders for tractors and implements valued at over Rs 3 crores. and they are being exported to the United Kingdom, Australia, Turkey, Japan, Indonesia, Kenya, Zambia, Tanzania, Musca, and Nepal, and a host of other countries. In addition to exports, the company has entered into a collaboration agreement with Zambia for the manufacture of implements under which it will provide the complete technical know-how and components required for the assembly plant.

Bharat Electronics

The state owned enterprise, Bharat Electronics Limited has increased its sales by 22 per cent over 1972-73. Sales touched Rs 49 crores in 1973-74, recording a gain of Rs 9 crores over the preceding year. Production also improved by 11.5 per cent from Rs 39 crores in 1972-73 to Rs 45.10 crores in 1973-74. There was an appreciable increase in the company's exports which rose from Rs one crore in the previous year to Rs 1.86 crores in 1973-74. In addition, the company also finalised a big export order for Rs 17 crores worth of sophisticated electronic equipment with a Swiss firm. This all-round progress enabled the company to complete the year with a net profit of Rs 3.90 crores as against Rs 3.12 crores in 1972-73. The net profit was arrived at after providing Rs 2.52 crores for depreciation, and Rs 3.65 crores for taxation. The company has maintained the dividend at the rate of 12 per cent. BEL's contribution to the exchequer by way of dividend would be Rs 72 lakhs. Ghaziabad unit of the company has made a good start. The production of the factory, which was inaugurated by the Prime Minister this year, has already reached Rs two crores. Besides securing the IOC order for the communication system for their Haldia-Barauni-Kanpur Pipeline, BEL, Ghaziabad, have been entrusted with a project to provide modern and reliable microwave communication network for the police in Tamil Nadu. The project will cost Rs one crore. Indigenous design and development of a very wide range of communication, TV and broadcast equipmnnts, radars, microwave communication equipments, peripherals for computers, etc. are in various stages of progress. A sum of Rs 2.17 crores was spent on various development projects.

Harig India

Harig India started manufacturing activities in the year 1961 in collaboration with Haring Products Inc., USA. Under the major expansion and divesification programme, the company took in hand indigenous development of bread making plants, automatic bread slicing and wrapping machine in particular. The company has been successful in developing the auto bread slicing and wrapping machine, the the most complicated of the bread making plants. This machine having a capacity of 1800 operations per hour, is designed to slice and wrap many types and variable sizes of bread, cake and flour confectionery and is suitable for one-man operation. This machine has three units, namely, slicing synchronizing and wrapping which are arranged in a straight line hookup for slicing and wrapping loaves. Synchronizer unit is fitted in between the slicing and wrapping units and effects automatic transfer of sliced loaves to wrapper infeed. Harig India is the only manufacturer to have developed this machine indigenously within the country. The imported contents in the machine are restricted to the value of two and a half per cent. Efforts are being made to use total indigenous components, This brisk effort on the part of Haring India will save substantial amounts of foreign exchange.

American Express

Strong continued growth of American Express' earnings from travel related and financial services again produced new consolidated net income records in the second quarter and first half of 1974.

For the quarter, consolidat-

d net income increased y 12.3 per cent to $40.0 illion, and for the six months ncreased by 11.7 per cent to 74.5 million. Earnings per hare for the quarter amounted o $0.55 as compared with 0.49 one year ago, and for he six months period mounted to $1.03 compared vith $0.92. Net operating in- ome of travel and financial ervices (other than Insurance) ncreased 20.6 per cent to $20.1 illion for the quarter and in- reased 20.8 per cent to $33.2 illion for the six month period. Net income, including gains on ales of investment securities or this group, increased 15.8 er cent to $20.4 million for he quarter, and reached $34.0 illion, an increase of 15.9 per ent for the six months.

Net operating income from nsurance services for the econd quarter increased 3.2 er cent to $17.6 million and or the six month period rose .9 per cent to $35.9 million. Net income, including gains on ales of investment securities or the Insurance group, increa- ed 8.7 per cent to $19.7 mil- on during the quarter, and for he six month period rose 8.4 er cent to $40.5 million as gainst $37.3 million a year go.

Kerala Financial Corporation

The business operations of Kerala Financial Corporation had a minor setback during 1973-74 as compared to 1972-73. Though the number of loan applications decreased slightly, the total amount applied for exceeded the last year's figure by a crore of rupees. Acute scarcity of certain raw materials have resulted in the corporation refraining from providing financial assistance to applicants who proposed projects based on these raw materials. A ban was imposed on financing new hotel projects in the Corporation limits of Trivandrum, Cochin and Calicut. Further assistance to sea food industry in the Ernakulam district was delined. These are some of the factors which contributed, apart from the general industrial climate, for a decrease in the volume of business of the corporation. The gross earnings of the corporation increased from Rs 70.67 lakhs to Rs 89.95 lakhs while the net profit improved from Rs 13.68 lakhs to Rs 18.48 lakhs. It has been decided to raise the paid-up capital of the corporation by another Rs 20 lakhs for which the government of Kerala has already made available its share of Rs 10 lakhs. An equal amount is expected to be made available by the Industrial Development Bank of India (IDBI). The board has also decided to raise a special capital of Rs 50 lakhs which will be contributed by the state government and the IDBI in pursuance of the provisions of State Financial Corporations Act in order to provide soft loans to the economically weaker sections of the society. Two series of bonds were issued totalling Rs 2 crores during the year with option of retaining 10 per cent in excess. These were fully contributed. The bonds raised in the year 1962 and maturing on February 1, 1974 amounting to Rs 55 lakhs were repaid.

News and Notes

The panel of judges nominated by the Institute of Chartered Accountants of India New Delhi, has highly commended *Bharat Commerce and Industries* presentation of accounts for the year ended December 31, 1972. In appreciation of this fine performance a plaque for 1972-73 will be awarded to the company at a special function to be held sometime in September.

Nitin Castings Pvt. Ltd. has entered into technical collaboration with Schmidt and Clemen of West Germany for the manufacture of sophisticated centrifugal castings. The company will complete its castings project involving an outlay of about Rs 1 crore in the next nine months. In full production, to be reached in three years, the company will able to save foreign exchange worth Rs 5 crores annually. The company which has an annual turnover of Rs 1.25 crores currently, expects to raise it to about Rs 10 crores when the project on centrifugal castings is in full production. It may enter the capital market after a year or so to invite public participation in its capital.

According to a survey carried out by the daily, the "*American Banker*", six Indian banks are among the 500 largest commercial banks in the non-Communist world. The survey covers banks with deposits of over 500 million US dollars, as on December 31, 1973. The banks are: State Bank of India with a deposit of 3,965 million dollars. Central Bank of India (1,155 M. dollars), Bank of India (993 M. dollars), Punjab National Bank (916 M. dollars), Bank of Baroda (915 M. dollars) and United Commercial Bank (584 M. dollars). State Bank of India ranks 105th in the list, while Central Bank comes 308th. Bank of America, tops the list with a total deposit of 41,844 million dollars.

Maharashtra Electrosmelt Ltd, a new company promoted by SICOM, will be entering the capital market early next year with a public issue of Rs 2.45 crores in equity shares of Rs 10 each at par. The company is setting up a project at Chandrapur near Nagpur for the manufacture of 75,000 tonnes of steel billets and ingots per annum. The Chandrapur district with vast iron deposits offers an ideal location for the plant. Civil construction work is in progress and it is expected that the first steel ingot will roll out of the plant by early 1976. The entire project is estimated to cost Rs 15.2 crores.

Revised Dividends — **Dividends** (Per cent)

Name of the company.	Year ended	Equity dividend declared	
		Before ordinance	After ordinance
Fibreglass Pilkington	March 31, 1974	12.0	9.0
Antifriction Bearings	Dec. 31, 1973	10.0	7.1
Graphite India	Dec. 31,1973	20.0	12.0
Rajapalayam Mills	March 31, 1974	20.0	12 0
Travancore Cement	Dec. 31, 1973	6.0	Nil
Western India Plywoods	March 31, 1974	18.0	7.0
Bhagavathi Textiles	Dec. 31, 1973	18.0	12.0
Mico Farm	Dec. 31, 1973	10.0	6.0

Dividend Announcements (Per cent)

Name of the company.	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Bowreah Cotton	Dec. 31, 1973	25.0	20.0
Radha Krishna Mills	Dec. 31, 1973	12.0	10.0
Rajalakshmi Mills	Dec. 31, 1973	20.0	10.0
Shivaji Works	Dec. 31, 1973	10.0	Nil
Same Dividend			
Arunoday Mills	Dec. 31, 1973	12.0	12.0
Cawnpore Sugar	October 31, 1973	Nil	Nil
Dunbar Mills	Dec. 31, 1973	Nil	Nil
Rayalaseema Mills	Dec. 31, 1973	12.0	12.0
Azam Jahi Mills	Sept. 30, 1973	Nil	Nil
Maneklal Harilal Spg.	Dec. 31, 1973	12.5	12.5
National Rubber Mfg.	Dec. 31, 1973	Nil	Nil
Reduced Dividend			
Nuddea Mills	Dec. 31, 1973	Nil	5.0
Gourepore Co.	Dec. 31, 1973	Nil	10.0
Travancore Rayons	Dec. 31, 1973	Nil	15.0
Virudhu Nagar Textile Mills	Dec. 31, 1973	5.0	12.0
Bajaj Electricals	March 31, 1974	8.0	12.0

Licences and Letters of Intent

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951 during the weeks ended MarchMarch 30, 1973. The list contains the names and addresses of the licensees. articles manufacture, types of licences—New Undertaking (NU), New Article (NA), Substantial Expansion (SE), Carry on Bussiness (COB); Shifting—and annual installed capacity. Details regarding letters of intent revoked, cancelled or surrendered are also given.

Licences Issued

(During the week ended March 2, 1974)

Metallurgical Industries (Ferrous)

M/s Guest Keen, Williams Ltd; 97, Andul Road, Howrah, West Bengal—(Bhandup, Bombay, Maharashtra)—Wood Screws - 8 Mill Gross p.a—(C.O.B.)

M/s Century Iron & Steels Ltd; 903, Ansal Bhavan, 16, Kasturba Gandhi Marg, New Delhi—(Sangrur-Punjab)—Mild Steel Ingots—18,000 tonnes p.a—(COB)

Boilers and Steam Generating Plants

M/s Textile Machinery Corporation Ltd; Belgharia, Culcutta-56—(Agarpara, 24-Parganas, West Bengal)—Water Tube Industrial Boilers—36 Nos. (Equivalent to 4500 tonnes p.a. within a value of Rs 6 crores p.a—(SE)

Electrical Equipment

Shri R. R. Patel, M/s. Eastern Electricals; 58, Malviya Nagar, Bhopal-3—(Hazur, Bhopal, Madhya Pradesh)—Low Tension Power Capacitors—50,000 KVAR. p.a. Medium Frequency Power Capacity—20,000 KVAR p.a—(NU)

M/s Indesil Ltd; Neville House, First Floor, Currimbhoy Road, Ballard, Estate, Bombay—(Bombay-Maharashtra)—Integrated Circuits—10 Millinos p.a—(NA)

Transportation

M/s India Radiators Ltd; Rozhal, Madras-66—(Madras-Tamil Nadu)—Radiators—36,000 nos p.a—(SE)

Chemicals (Other than Fertilisers)

M/s New Chemical Industries Pvt Ltd; Ashok Nagar Cross Road-1, Kandivili (East), Bombay—(Nandesari, Baroda, Gujarat)—Malathion Technical—600M. tonnes p.a—(NU)

Drugs and Pharmaceuticals

M/s Lavino Kapur Pvt Ltd; 501-D/E, Niranjan, 99, Subhash Road, Bombay-2—(Bombay, Maharashtra)—Absorbant Cotton —1,200 tonnes p.a—(SE)

Textiles

M/s New City of Bombay Mfg Co Ltd; 63, Tukaram B. Kadam Marg, Bombay-33—(Bombay-Maharashtra)—Cotton Cloth—300 looms of indigenous make—(SE)

Shri S. N. Aggarwal; 11/3, Nandi Durg Road, Jayamahal Vilas Exten Bangalore—(Dharwar Distt: Karnataka)—Cotton/ Synthetic Yarn 25,000 spindles—(NU)

Shri A. P. Goel: C/o Air Transport Corpn., Kedar Road, Gauhati-1 — (Meghalaya)—Cotton Yarn—25,000 spindles—(NU)

Paper and Pulp

M/s Tribeni Tissure Ltd; 3, Middleton Street, Calcutta-16 (Calcutta-West Bengal)—Speciality Paper such as insulating paper for and telephone cables and for wire winding, H.D.S. overlay Tissue. Cigarette Tissue, Carbonising Tissue & Other Speciality papers—10,000 tonnes p.a—(NU)

Sugar

M/s The Gandhinglaj Taluka Sahakari Sakhar Karkhana Ltd Gadhinglaj, Distt Kolhapur—(Taluka: Gadhinglaj, Kolhapur Maharashtra)—Sugar—1,250 tonnes cane crushing capacity pe day—(NU)

Shri R. S. Seetharamaraju, Narasipatham Taluk, Kothakota Visakhapatnam—(Kotha Kota-Visakhapatnam, Andhra Pradesh —Sugar—1250 tonnes Cane Crushing Capacity per day—(NU)

M/s The Nizam Sugar Factory Ltd; P.B. No. 1, Khairatabad P.O. Hyderabad—(Hazurnagar, Nalgonda, Andhra Pradesh)— White Crystal Sugar 1,250 tonnes Cane Crushing Capaciiy pe day—(NU)

Shri Tej Bahadur Gangwar, MLA: (Bilaspur Kisan Sahakar Chini Mills Ltd; (Village Naugawa Santosh, P O Entgaon, Pili bhit (UP)—Bilaspur, Pilibhit, UP—White crystal sugar—125(tonnes cane crushing capacity per day—(NU)

Food Processing Industries

M/s Jai Shree Roller Flour Mills, C/o Shri Gori Shankar Gupta, 17/27, Shakti Nagar, Delhi—(Mathura-Uttar Pradesh)— Wheat Products—30.000 tonnes p.a—(NU)

Soaps Cosmetics and Toilet Preparations

M/s Calcutta Chemical Co Ltd; 35, Penditis Road, Calcutta— (Calcutta-West Bengal)—Toilet Soaps—5,440 tonnes p.a—(SE)

Rubber Goods

M/s J. K. Industries Pvt Ltd; 7, Council House Street, Calcutta—(Kankroli, Udaipur, Rajasthan)—Tyre—4 lakh nos p.a Tubes—4 lakh nos. p.a—(NU)

Leather and Leather Goods

Shri M. S. Abdullah Basha, 37, Perianna Maistry Street Pariamet, Madras-3—(Walaja Taluk-Tamil Nadu)—E.I. Tanned Hides (Cow & Buff) 2.4. lakh nos. p.a; E.I. Tanned Skins (Goat & Sheep)—90,000 nos. p.a—(C.O.B).

Letters of Intent

(During the week ended March 2, 1974)

Electrical Equipment

M/s Semcon Electronics (P) Ltd; 85-Esplanade Mansion, 144, Mahatma Gandhi Road, Bombay—(EPZ-Bombay Maharashtra)—Micro-Semi Conductor Diode—5 mill nos. Plastic Micro Diodes—8 lakh nos. Hybrid Electronic Circuits—5 lakh nos. Computer Core Memory Diodes—5 lakh nos. Special Devices—1 lakh nos—(NU)

Shri K. K. Bhargava, 10/14, Shamset Street. Bombay-2— (EPZ-Bombay-Maharashtra)—Electronic Calculators—20,000 nos. p.a.; Electronic Clocks—15,000 nos. p.a—(NU)

M/s Controls & Switchgear Co Pvt Ltd; 222, Okhla Industrial Estate, New Delhi—(Delhi)—Moulded case circuit breaker 100A—10,000 nos; Moulded case circuit breakers—250A—5000 nos; Moulded case circuit breakers—4000A—4000 nos; Moulded case circuit breakers—630A—3000 nos. Moulded case circuit breakers—1200A—1000 nos—(NU)

M/s Ralliwolf Ltd; Lal Bahadur Shastri Marg P.B. No 7758. Mulund, Bombay—(Bombay-Maharashtra)—Universal Motors (A./DC) 1/50 HP to 1 1/2 HP. 1500 RPM)—10,000 nos. p.a Compound Wound DC Motors (1/2 HP to 1 1/2 HP, 24 & 240 V) 10000 to 5000 RPM)—4,000 nos. p.a.; Permanent Magnet DC Motors (1/5000 HP to 1/ 100 HP, 6 to 24 V, 1500 to 5000 RPM)—6,000 nos p.a—(NA)

Transportation

M/s Kirloskar Pneumatic Co Ltd; Radapsar Industrial Estate Poona—(Poona-Maharashtra)—Controllable Pitch Propellors & Standard Propellors upto 2,000 HP for Marine Propulsion—200 nos. p.a—(NA)

st: Amar Nagar, Faridabad-III—(Saidapet, Chingleput-Tamil adu)—Gaskets—30 million nos. p.a. (The overall capacity of e two units viz at Faridabad and Tamil Nadu after expn. will 80 million nos p.a—(NU)

Industrial Machinery

M/s Modella Wollens Ltd; 4-C, Vulcan Insurance Bldg; er Nariman Road, Churchgate, Bombay—(Maharashtra)—mplete Carding Sets Suitable for Woollen Waste Shoddy, tton Waste & Synthetic Waste—72 nos; Complete Ring inning frames for woollen waste shoddy, cotton waste & syn-etic waste—120 nos; Vorsted/Synthetic cards—6 nos; Semi orsted Cards—4 nos; Fearnaught Picker—6 nos, Intermittant aker—6 nos. Garnat Machines—6 nos—(NU)

Medical and Surgical Appliances

M/s British Physical Laboratories India Pvt Ltd; Mahatma ndhi Road, Bangalore—(Palghat-Kerala)—8-Channel Poly-aph (for the purpose of observing & measuring various Bio-ysical Phenomena)—30 nos; Internal Pacemaker—200 nos. rtable External Pacemakers—100 nos.; DC Defibrillators—0 nos—(NA)

Fertilisers

The Chairman & Managing Director, Fertilizer Corpn Ltd; 43, South Exten Part-I, Ring Road, New Delhi-49—(Korba-aspur, MP)—Fertilizer Grade Urea—4,95,000 tonnes p.a—A)

Chemicals (Other than Fertilisers)

Shri G. K. Kanoria, The New City of Bombay Mfg Co Ltd; rel, Bombay—(Tarapur, Thana, Maharashtra)—Calcium rbide—14,850 tonnes p.a—(NU)

M/s Power Cables Ltd; 24, Brelvi Sayad Abdullah Road, B. No 1522, Bombay—(Nadia, Gujarat)—Calcium Carbide—850 tonnes p.a—(NU)

M/s Mewat Metal Powders, Haresh Chambers, 311/19, muel Street, Bombay—(Udaipur-Rajasthan)—Calcium Carbide 14,850 tonnes p.a—(NU)

Shri Shaukat Rai Malhotra, K-89, Hauz Khas Enclave, New lhi—(Uttar Pradesh)—Calcium Carbide—14,850 tonnes p.a—U)

M/s Bharat Industrial Works, 708, Akash Deep Building rakhamba Road, New Delhi—(Madhya Pradesh)—Calcium rbide—14,850 tonnes p.a—NU)

Shri N. L. Rathi. 6, Protoria Street, Calcutta—(Purlia, West ngal)—Calcium Carbide—14,850 tonnes p.a—(NU)

M/s Bihar State Industrial Development Corporation, Bandar gicha, Patna-1—(Bihar)—Caustic Soda—32,000 tonnes p.a—U)

Drugs and Pharmaceuticals

M/s The Chemical Industrial & Pharmaceuticals Laborato-s Ltd; 289, Bellasis Road, Byculla, Bombay-8—(Bombay-harashtra)—Practolol BP 1 tonnes p.a—Practolar Tablets. 7 l. nos—(NA)

Paper and Pulp

Shri Jahan Nath Jaju, 33, Ring Road, Lajpat Nagar-IV, w Delhi—(Sonepat, Haryana)—Pulp & Paper (Kraft & other cking & Wrapping paper)—6,600 tonnes p.a—(NU)

Leather and Leather Goods

M/s East Asia Skin Corpn; C-1/23, Safdarjang Development ea, New Delhi—(Unnao-Uttar Pradesh)—Finished Leather m El Wet Blue Chrome Tanned Skins—10 lakh pieces p.a—U)

M/s Himachal Pradesh Mineral & Industrial Development Corpn. Ltd; Kishore Bhavan, The Mall, Simla-1—(Una-Himachal Pradesh)—Glass Bottles—18,000 tonnes p.a—(NU)

Letters of Intent Revoked or Surrendered

(During the week ended March 2, 1974)

(Information pertains to particular letters of intent only)

M/s Lynx Machinery Ltd; 7th Floor, 10, Hailey Road, New Delhi-1—Road Rollers.

Licences Issued

(During the week ended March 9, 1974)

Metallurgical Industries

M/s Atlas Steel Mills Ltd; 21-B, Noble Chambers, Parsee Bazar, Street, Fort, Bombay—(Thana, Bombay Maharashtra)—CR Strips hardened tempered of 0.85% carbon—2,400 tonnes. CR Strips for Hacksaw Blades Low Tungston quality—1,200 tonnes. Spring Steel Strips annealed EN Series—600 tonnes. Other specialized strips for components such as Diaphargam, etc. —600 tonnes. Mild Steel Strips for Cycles Rims, Box Strapings —1,200 tonnes p.a.—(NU)

M/s Firth (India) Steel Co. Ltd; No. F-3, Road No. 22, Wagle Estate, P.B. No' 22. Thana—(Nagpur & Thana, Maharashtra)—Alloy Steel (Excluding Stainless Steel)—6,000 tonnes p.a—(NU)

Electrical Equipement

M/s National Radio & Electronics Co. Ltd; Unity House, 8, Mama Parmanad Marg, Bombay—(Bombay-Maharashtra)—Electronics Office Machine including Desk Calculators—3,500 nos. p.a—(SE)

Machine Tools

M/s Harshadray Pvt. Ltd; Jiji House, Raveline Street, Bombay-1—(Gorwa, Baroda, Gujarat)—Automatic Glass Bottle Container manufacturing machines viz. I.S. (Individual Section) Machines—15 nos. p.a. Ancillaries for the above viz. Forehearths, Feeding Machines, Annealing & Decorating Lehrs, Batch Chargers & Loaders Cross Conveyers and Ware Transfers—15 nos. p.a—(NU)

Medical and Surgical Appliances

M/s Sandoz (India) Ltd; Sandoze House, Dr. Annie Besant Road, Worli, Bombay—(Bombay-Maharashtra)—Disposable Medical Equipment, viz. Transfusion Sets, Infusion Sets, and Haemodialysis Sets, etc—2 million nos. p.a—(NA)

Chemicals (Other than Fertilisers)

M/s Glaxo Laboratories (India) Ltd; Dr. Annie Besant Road Worli, Bombay-18—(Bombay-Maharashtra)—Beta Ionone—100 tonnes p.a—(SE)

Textiles

M/s UP State Textile Corporation Limited, 7-B, Sarvodaya Nagar, Kanpur—(Uttar Pradesh)—Cotton Yarn—25,000 spindles—NU)

M/s UP State Textile Corporation Ltd; 7-B, Sarvodaya Nagar, Kanpur—(Uttar Pradesh)—Cotton Yarn—25,000 spindles—(NU)

M/s UP State Textile Corporation Ltd: 7-B, Saryodaya Nagar, Kanpur—(Uttar Pradesh)—Cotton Yarn—25,000 spindles—(NU)

M/s UP State Textile Corporation Limited; 7-B, Sarvodaya Nagar, Kanpur—(Uttar Pradesh)—Cotton Yarn—25,000 spindles—(NU)

Sri Sarada Mills Ltd; Loganathapuram, Podannur Post, Coimbatore—(Podannur, Coimbatore, Tamil Nadu)—Cotton Yarn—25,000 spindles—(SE)

Sugar

M/s The Mula Sahakari Sakhar Karkhana Ltd; Sonai, Taluka Newasa, Ahmednagar—(Sonai Newasa, Ahmednagar, Gujarat) —Sugar—1,250 tonnes Cane Crushing Capacity per day—(NU)

M/s Kada Sahakari Sakhar Karkhana Ltd; Kada, Disst: Bhir—(Kada, Bhir Distt: Maharashtra)—Sugar—1,250 tonnes Cane Crushing Capacity per day—(NU)

Letters of Intent

(During the week ended March 9, 1974)

Metallurgical Industries (Ferrous)

M/s Universal Ferro & Allied Chemicals Ltd; Liberty Building, New Marine Lines, Bombay—(Majwada, Thana Station, Maharashtra)—Precision Investment Castings—300 tonnes p.a—(NU)

M/s IISCO Station Pipe & Foundary Co Ltd; 12, Mission Row, Calcutta-1—(Ujjain, Madhya Pradesh)—Cast Iron Spun Pipes—1,20,000 tonnes p.a—(SE)

Fuels

M/s West Bokaro Ltd; 43, Chowringhee Road, Calcutta—16 —(Bihar)—Coking Coal—7 lakh tonnes p.a—(SE)

Electrical Equipment

M/s Mahindra Ugine Steel Co Ltd; Worli Koad, 13, Worli, Bombay—(Maharashtra)—Midget Electrodes—300 mill pieces p.a—(NU)

Transportation

M/s Spaco Carburettors (India) Ltd; Post Box No. 13, Chinchwad, Poona—(Poona-Maharashtra)—Carburettors—4 lakh nos. p.a—(SE)

M/s Tamil Nadu Industrial Development Corpn Ltd; 150-A Anna Salai, Madras—(Mandapam, Ramnad, Tamil Nadu)— Fishing Vessels 20/25 metres and 30/35 metres—16 nos. p.a. Servicing (maintenance and repairs of Vessels—Servicing upto 80 metres. (Steel requirement 80-150 tonnes p.a.)—(NU)

Industrial Machinery

M/s Andrew Yule & Co Ltd; Yule House, 8-Clive Row, Calcutta-1—(Kalyani, West Bengal)—Industrial Fans of over 60 inches diameter—60 nos. p.a—(NA)

Engineering Industries

Shri D. R. Sondhi, N-17, Panch Shila Park, New Delhi— (Rajasthan)—Hand & Cutting Tools—3,000 tonnes p.a.— (NU)

Chemicals (Other than Fertilisers)

M/s Hindustan Lever Ltd; Express Building, Bahadur Shah Zafar Marg, P.O. Box No, 734, New Delhi—(Jammu-J & K)— Synthetic Detergents—10,000 tonnes p.a—(NU)

M/s Hindustan Lever Ltd; Express Building Bahadur Shah Zafar Marg, P.O. Box No. 734, New Delhi—(Haldia West Bengal)—Sodium Tripolyphosphate—30,000 tonnes p.a. Sulpuric Acid—54,000 tonnes p.a. Phosphoric Acid—19,500 tonnes p.a—(NU)

M/s Shri Chemical Industries, Shriram Nagar, Kota—(Kota-Rajasthan)—Calcium Carbide—56,100 tonnes p.a—(SE)

Dyestuffs

M/s Sandoz (India) Ltd; Sandoz House, Dr. Annie Besant Road, Worli, Bombay—(Bombay-Maharashtra)—Reactive Dyes —90 tonnes p.a—(NA)

M/s Atul Products Ltd; Bulsar, Atul (Atul Gujarat) Michler's Ketone—80 tonnes p.a—(NA)

Textiles

M/s Bharat Commerce & Industries Ltd; 19, Kasturb Gandhi Marg, New Delhi—(Himachal Pradesh)—Polynosi Fibre—36,500 tonnes p.a—(NU)

Paper and Pulp

M/s Sun Paper Mills Ltd; 2/16, Mount Road, Madras— (Ariyanayakipuram, Tirunelveli, Tamil Nadu—Printing an Writing Paper, News Print Quality Paper and Craft Paper etc—60,000 tonnes p.a—(SE)

M/s Bharat Commerce & Industries Ltd: 19-Kasturba Gandhi Marg, New Delhi-1—(Himachal Pradesh)—Rayon Grade Pulp—40,150 tonnes p.a—(NA)

Fermentation Industries

Shri K. P. Gopinath, Krishna Vilas, Thycaud, Trivandrum— (Tehsil Nariamangalam, Kerala)—Beer—50,000 Hectolitres p.a—(NU)

Food Processing Industries

M/s Hoshiarpur Co-op Milk Producers Ltd; Post Box No. 7 Hoshiarpur—(Hoshiarpur-Punjab)—Milk Powder—2,400 tonnes p.a—(NU)

Cement and Gyspm Products

M/s Kesoram Industries & Cotton Mills Ltd; 42, Garden Reach Road, Calcutta-24—(Patan, Distt: Sikar, Rajasthan)— Portland Cement—3 lakh nos. p.a—(NU)

Letters of Intent Revoked or Surrendered

(During the week ended March 9, 1974)

(Information pertains to particular letters of intent only)

M/s CTR Manufacturing Industries Ltd; Nagar Road, Poona-14—(Maharashtra)—Broaches.

M/s Indabrator Limited, NSE Estate, Goregaon East Bombay-63—(Maharashtra)—Shot Blasting Equipment.

Licences Issued

(During the week ended March 16, 1974)

Metallurgical Industries (Ferrous)

M/s Ashok Steel Corpn Pvt Ltd; P-35, India Exchange Place, Calcutta-1—(Liluah, Howarth, West Bengal)—Mild Steel Ingots—9,000 tonnes p.a—(COB)

M/s Shimoga Steels Ltd: 16/17, Reddy Jansangh Building, J. C. Road, Bangalore-2—(Mysore-Karnataka)—Mild Steel Ingots—18,000 tonnes p.a—(COB)

M/s Shri Gopal Steel Ltd; D15, Maharani Bagh, New Delhi —(Barwah, Khargoane, MP)—Mild Steel Ingots—18000 tonnes p.a—(COB)

Sri S. N. Palriwala, Concast Steels & Alloys Ltd; 14 Netaji Subhas Road, Calcutta-1—(Nadiad-West Bengal)—Mild Steel Ingots—18,000 tonnes p.a—(COB)

Shri Hari Krishan Budhia, M/s Bihar Foundry & Castings Ltd; Main Road, Ranchi—(Mandu, Hazari Bagh, Bihar)—Mild Steel Ingots—18,000 tonnes p.a— (COB)

M/s Pankaj Iron & Steel Works Pvt Ltd; 643, T. H. Road, Madras—(Tiruvottiyur, Chinglepet, Tamil Nadu)—Biumen Drum (165 Kgs Capacity)—9,950 tonnes Oil Barrels (220/210 litres)—3,950 tonnes p.a—(COB)

M/s Jodhpur Steel Ltd; 94-A, Sardarpura, Ist Road, Jodhpur—(Jodhpur, Rajasthan)—M.S. Ingots—9,000 tonnes p.a— (COB)

Electrical Equipment

M/s Electronic Research Pvt Ltd: 28, K. H. Road, Bangalore (Haskote, Bangalore, Karnataka)—Electromagnetic Relays ealed and and Semi-sealed types)—50,000 nos. p.a.—(NA)

M/s Forbes, Forbes, Campbell & Co Ltd; Forbes Building, ome Steet, Fort, Bombay-1—(Bombay-Maharashtra)—Regu-ed DC Power Supply Units 51.5 Volts upto 400 amps capa-y—520 nos. p.a—(SE)

M/s Paharpur Cooling Towers Pvt Ltd; 1-B, Judges Court oad, Calcutta-27—(Gazhiabad-UP)—Tinned Tube Air Coolers r Proces Plants—3,000 tonnes—(Valued at Rs 240 lakhs p.a—NU)

M/s Bharat Electronics Ltd; Jalahalli P.O., Bangalore-13 (Bangalore-Karnataka)—Ceramic Capacitors—40 mill nos. a—(SE)

M/s Siemens India Ltd; 134-A, Dr Annie Besant Road, ombay—(Bombay-Maharshtra)—Automatic Train Control quipment—100 Track Devices & 30 Loco Devices—Last Vehi-es Control System—100 track Devices & 30 Loc Devices p.a Central Train Control Euipment—1 unit for a medium size ation—Automatic Train Describer Eqnipment—1 unit for two ation heads with 2 out going and incoming trains—(NA)

M/s Radio & Electricals Manufacturing Co Ltd; Mysore oad, Bangalore—(Bangalore-Karnataka)—Electrolytic Capa-ors—1 million nos. p,a—(SE)

Telecommunication

M/s Tamil Nadu Industrial Developmet Corpn Ltd; Third oor, L.L.A. Bldg; 150-A, Annna Salai, Post Box No.5205, adras—(Adyar, Madras, Tamil Nadu)—TV Sets—10,000 nos. a—(NU)

Transportation

M/s Flagi Equipment (P) Ltd; India House, Trichy Road, oimbatore-18—(Coimbatore-Tamil Nadu)—Finished Crank afts—1,30,000 nos. p.a—(NA)

Chemicals

The Cyanides & Pigments Ltd; 43, Chowringhee Road, lcutta-16—(Jamshedpur-Bihar)—Ferrous Sulphate—4000 tons. p. a—(COB)

M/s Fertilizers & Chemicals Travancore Ltd; Udyogmandal, O., Kerala—(Udyogmandal, Kerala)—Synthetic Cryolite—50 tones p.a—(NU)

M/s Saraswati Air Products Ltd; Alpna Cinema Building, odel Town, Delhi-9—(Muzaffarnagar-UP)—Oxygen Gas—0 MCM; Acetylene Gas—0.20 MCM. Nitrogen Gas—0.25 CM—(NU)

M/s Indofil Chemicals Ltd; Belvandi House, Dr Annie sant Road, Bomby-25—(Thana-Maharashtra)—Sophisticated edicides (Stam and Tok)—1,500 tonnes p.a—(NA)

The Fertilizers Corpn of India Ltd; F-43, South Exten Part-Ring Road, New Delhi—(Sindhi-Bihar)—Guanidine Nitrate 00 tonnes p.a—(NA)

M/s Blundell Eomite Paints Ltd; Rustom Building, 29-Veer riman Road, Bombay—(Thana-Maharashtra)—Synthetic sins—993 tonnes p.a—(SE)

Drugs Pharmaceuticals

M/s Raptakos Brett & Co Ltd; 47, Dr Annie Besant Road, orli, Bombay-18—(Bombay-Maharashtra)—Aminoxyle Elixir 0 Ml. Bottle)—56,770 p.a; Eupeptine Elixir (180 Ml. Bottle) 5,290 p. a; Hovite Syrup (120 Ml. bottle)—87,467 p.a; temesin Tablets—4,18,360 nos; Katemesin Injections (ml. poules)—1,5528 p.a; Digitoxin RB tablets—5,00,000 nos—OB)

Textiles

M/s Mysore State Cooperative Woollen Textile Mills Ltd; Renebennur, Dharwar—(Renebennur, Dharwar, Karnataka)—Woollen Yarn (other than worsted and shoddy)—12 lakh Kgs (576 spindless)

M/s West Bengal Industrial Development Corporation Ltd; 23-A, Netaji Subhas Road, Calcutta-1—(Midnapur-West Bengal)—Cotton Yarn—25,000 spindles—(NU)

West Bengal Industrial Development Corporation, Calcutta (Nadia-West Bengal)—Cotton Yarn—25,000 spindles—(NU)

M/s Kishan Lal Bhandari & Sobhagraj Bhandari, c/o M/s Rajmal Kushalraj Bhandari, 51, Rajendra Ganj, Raichur—(Karnataka)—Cotton Yarn—25,000 spindles—(NU)

M/s Bihari Mills Ltd; Mithapur, Khokhera Ahemdabad, Ahmedabad-1(—Ahmedabad-Gujarat)—Cotton Cloth—104 looms of indigenous make—(SE)

M/s Raja Bhadur Motilal Poona Mills Ltd; Hamam House, Ambalal Doshi Street, Fort, Bombay—(Poona-Maharashtra)—Cotton Cloth—20 automatic Looms of indigenous make—(SE)

Soaps, Cosmetics and Toilet Preperations

M/s Kerala Soaps & Oils Ltd; Calicut—(Kozhikode, Kerala)—Toilet Soap—4,300 tonnes p.a—(SE)

Leather and Leather Goods

M/s Mysore Chrome Tanning Company Ltd; Bangalore—(Bangalore-Karnatak)—Chrome Uppers—21,000 nos; Bark Tanned Sole Leathers—15,000 nos. p.a.

M/s Webta Pvt Ltd; 24-A, Bright Street, Calcutta—(Calcutta-West Bengal)—Finished Leather from Goat & Sheep Skins—3 lakhs nos. p.a; Finished Leather from Cow Hides—60,000 nos. p.a—(NA)

M/s Yugo Intraco Pvt Ltd; 160 Golf Links, New Deihi—(Madras-Tamil Nadu)—Finished Leather (Garment Suede & Nappa and Linings)—15 lakhs nos. of skins | (NU)

Industrial Machinery

M/s Precision Bearings India Ltd; 14th Floor, Nariman Point, Backbay Reclamation, Bombay-1—(Baroda-Gujarat)—Spherical Roller Bearings—18,000 nos. p.a—(SE)

Letters of Intent

(During the week ended March 16, 1974)

Metallurgical Industries (Ferrous)

M/s Rainbow Steels Ltd; Meerut Road, Muzaffarnagar—(Muzaffarnagar-UP)—Steel Castings—3,000 tonnes p.a. Alloy Steel Castings—2,000 tonnes p.a—(NA)

Prime Movers

M/s Bharat Heavy Electrical Ltd; Hindustan Times House, 15th and 16th Floor, 18-20, Kasturba Gandhi Road, New Delhi—(Medak, Sangareddy, Andhra Pradesh)—High Speed Drive Turbines—12 sets p.a—(NA)

Electrical Equipment

M/s Aluminium Industries Ltd; No 1, Ceramic Factory Road, Kundra P.O., Alleppy, Kerala—(Chengannur, Kerala)—132 KV Motor Operator Isolating Switches—60 nos; 220 KV Moter Operated Isolating Switches—75 nos—(NA)

Shri Deepak Anantrai, 195, Palace Upper Orchards, Bangalore—(Bangalore-Karnataka)—Relays—15,000 nos. p.a—(NU)

Transporation

M/s Bajaj Auto Ltd; Bombay-Poona Road, Chinchwad, Poona-19—(Poona-Maharashtra)—Three-Wheelers—15,000 nos. p.a—(SE)

Shri Ravinder Singh Sahni, 267, Joshi Road, Delhi—(Maharashtra)—Automobile, Indutsrial and Conveyor Chains—3 lakh metres p.a—(NU)

M/s Decor Steel (P) Ltd; Madhya Marg, Sector 7-C, Chandigarh—(Haryana)—Wheels for Jeeps, Jeep Trailors, Passenger Cars & Tractor (front)—4 lakh nos; Wheels for animal drawn vehicles and for tractor trailors—1 lakh nos; Wheels for rear tractors—0.5 lakh nos; Wheels for commercial vehicles—1.5 lakh nos—(NU)

M/s Mysore State Industrial Investment & Development Corpn Ltd; Bangalore—(Karnataka)—Carburettors for Scooters and 3-wheelers—2 lakh nos. p.a—(NU)

Mrs Urmil Gupta, C-4/102, Safdarjung Development Area, New Delhi-16—(Maharashtra)—Crimping Machine—6 nos. of 96 spindles each p.a—(NU)

M/s Standard Radiators (P) Ltd; Industrial Estate, Baroda-3—(Gorwa, Baroda, Gujarat)—Aftercoolers for single Stage Comprassors for Air/Gas—72 tonnes. Intercoolers for Multistage Compressors for Air/Gas—108 tonnes. Transformer Oil Coolers—54 tonnes; Air/Gas Heaters (Using Steam or other Hot Fulid inside Tubes)—36 tonnes. Aircooled process Condensers and Coolers —36 tonnes. Liquid Vaporizers—18 tonnes —(NA)

Agricultural Machinery

M/s Fertiplant Engg Co Pvt Ltd; 26th Road, Bandra, Bombay-50—(Bombay-Maharashtra)—Rotary Hoes—12,000 nos. p.a. Sprinklers—10,000 nos. p.a—(NA)

Engineering Industries

M/s Bharat Forgings Pvt Ltd; G.T. Road, Mandi, Gobindgarh—(Nabha, Patiala, Punjab)—Forged Hand Tools (Spanners, Pliers, Wrenches, etc—3,000 tonnes p.a—(NU)

Chemicals (Other than Fertilisers)

M/s Indian Sugar & General Engineering Corporation, Prop: Sarswati Industrial Syndicate Ltd; Yamunanagar—(Yamunanagar-Haryana)—Anion Exchange Resins—400 Cu Metres p.a. Cation Exchange Resins—400 Cu Meaters p.a—(NA)

Change in Names of Owners or Undertakings

(During the week ended March 16, 1974)

(Information pertains to particular licences only)

M/s Gujarat Polyamides Ltd—to—M/s The Baroda Rayon Corporation Ltd.

M/s All India Wool Combers Co-operative Society Limited, Ludhaina—to—M/s Punjab State Industrial Development Corporation Limited, Chandigarh.

M/s Sen & Pandit Pvt Ltd: Calcutta—to—M/s S & P Engg Products Limited., Calcutta.

Letters of Intent Revoked or Surrendered

(During the weak ended March 16, 1974)

(Information pertains to particular letters of intent only)

M/s Mysore State Industrial Investment & Development Corph Ltd; Bangalore—3-Wheeler Scooters.

M/s Kerala Auto Industries Private Limited, Quilon-9—(Kerala)—3-Wheeler Scooters.

M/s Hosadurga Cement & Chemicals Ltd; Bangalore—Cement.

Licences Issued

(During the week ended March 23, 1974)

Metallurgical Industries (Ferrous)

Shri C.M. Varma, M/S Purulia Steels Ltd; 135, Biplabi Rashbehari Basu Road, Calcutta-1—(Purulias-West Bengal)—Mild Carbon Steel Ingots—18,000 tonnes p.a—(COB)

M/s Gujarat Ministeel Limited, B. Jadav Chambers, Ashra Road, Ahmedabad-9—(Ahmedabad-Gujarat)—Mild Ste Ingots—18,000 tonnes p.a—(COB)

M/s Brindavan Steel Pvt. Ltd; Agra Building, 121, Mahatn Gandhi Rd; Bombay—(Bangalore-Karnataka)—Mild Ste Ingots—18,000 tonnes p.a—(COB)

M/s Rajasthan Alloys & Steel (P) Ltd; 101-103, Industri Area, Jhotwara, Jaipur—(Jaipur-Rajasthan)—Mild Steel Ingo —9,000 tonnes p.a—(COB)

M/s Ram Chand Jagdish Chand, 53, Radha Bazar Lan Calcutta-1—(Bangalore-Karnataka)—Mild Steel Ingots—20,0 tonnes p.a—(COB)

M/s Swastika Alloy Steel Ltd: 9, Old Court House Stree Calcutta—(Alwar-Rajasthan)—Mild Steel Ingots—5,000 tonn p.a—(COB)

Electrical Equipment

Shri L.H. Patel, 5/2, Arunodaya Society, Behind Railwa Station, Baroda—(Baroda-Gujarat)—Transformers (Upto KVA/66KV)—3,50,000 KVA. p.a—Oil Filter Machines (upt 12 GPH capacity)—60,000 GPH. p.a—(NU)

M/s Asian Electronics Ltd; Handloom House, 3rd Floo 221, Dr. D. Naoroji Road, Post Box No. 1863, Bombay—(Sant Cruz Bombay-Maharashtra)—Ceramic Capacitors -30 Mi nos. p.a—(NU)

Shri D.D. Lakhanpal, "Ashyana", 15th Road, Kha Bombay—(Bombay-Maharashtra)—Tape Recorders—10,000 no p.a—(NU)

Transportation

M/s Auto Piston Manufacturing Co. Pvt Ltd; Batala Roa P.O. Khanna Nagar, Amritsar—(Amritsar-Punjab)—Pistons lakh nos—Piston Pins 4 lakh nos—Piston Rings 36 lakh nos— Liners 75,000 nos—(NU)

Industrial Machinery

M/s Marchon Textile Industries (P) Ltd; 4th Floor, Saha Bldg; 195, D.N. Road, Bombay—(Bombay-Maharashtra)— Crimping Machine—6 nos. of 96 spindees each. p.a—(NU)

M/s Hindustan Machine Tools Ltd; P.O. HMT, Bangalor (Hyderabad-Andhra Pradesh)—Unit Assembled Bed Typ Milling Machines—Capacity not fixed—(NA)

M/s Dalal Engg. Pvt. Ltd; 314, Jolly Bhavan, 3rd Floor, 1(New Marine Lines, Bombay—(Bombay-Maharashtra)—Vapou Phase Solvent Recovery Plants—Rs. 30 lakhs p.a—(NA)

Textiles

M/s West Bengal Industrial Development Corporatio Limited, 23-A, Netaji Subhas Road, Calcutta-1—(West Bengal Cotton/Blended Yarn—25,000 spindles—(NU)

Paper & Pulp

M/s Central India Spg. Wvg. & Mfg. Co. Ltd; Bombay House, 24-Bruce Street, Fort, Bombay—(Nagpur-Maharashtra —Kraft Paper 500 tonnes—Corrugating Medium 500 tonnes Poster Paper 300 tonnes—Tissue Paper 700 tonnes—(NA)

Food Processing Industries

M/s Co-operative Sugars Ltd; Chittur, Menorpara P.O., Palghat, Kerala—(Chittur-Palghat, Kerala)—Hard Boiled Sweets (Unwrapped)—150 tonnes p.a—Hard Boiled Sweets (Wrapped)—450 tonnes p.a——Toffee—300 tonnes p.a—Extra Strong Tablets 300 tonnes—(NA)

Leather and Leather Goods

M/s M.S. Mohamed Siddique & Co., 39, V.V. Coil Street, Periamet, Madras—(Tiruchirapalli-Tamil Nadu) E.I. Tanned Goat Skins—17,60,000 nos. p.a.

Timber Products

M/s Meghalaya Plywoods Ltd; Shillong—(Bhoi Area, Khasi Jaintia Hills, Meghalaya)—Commercial Plywood including ock Boards & Flush Doors (4 mm basis)—2 mill. sq,—Metres a—(NU)

Letters of Intent

(During the week ended March 23, 1974)

Metallurgical Industries (Ferrous)

Shri Gautam Kanoria, New City of Bombay Manufacuring . Ltd; 63, T.B. Kadam Path, Bombay—(West Bengal)—ntrifugally Cast Alloy Steel Reformer Tubes—500 tonnes a; Alloy Steel Castings—500 tonnes p.a—(NU)

Metallurgical Industries (Non-Ferrous)

The Association of the Physically Handicapped Training-m-Rehabilitation Centre, Henur Road, P.O. Fraser Town, ngalore—(Lingarajapuram, Bangalore, Karnataka) Non-rrous Die-cast Components for automobiles, Electrical and strument Industries—Rs. 14,00,000 p.a; Plastic Moulded mponents for Automobile, Electrical and Electronic Indus-ies—Rs 3,50,000 p.a; Ferrous & Non-ferrous turned, Pressed d Fabricated Components for Automobile, Electrical and ectronic Industries—Rs. 6,50,000 p.a—(Total: Rs 24,00,000 a.)—(NU)

Electrical Equipment

M/s Emco Transformers Ltd; 106, Industrial Area, Sion, mbay-22—(Thana-Maharashtra)—Power & Distribution ansformers (upto 220 KV) & Special Transformers, etc—eactors, 1,000 KVA p.a—(SE)

Transportation

M/s Godrej Boyce Mfg Co. (P) Ltd; Lalbaugh, Parel, mbay-12—(Bombay-Maharashtra)—Automobile Pressings for mmercial Vehicles like Trucks, Buses, Three-Wheelers, ractors and the like—5,000 tonnes p.a—(NA)

Industrial Machinery

Shri Ashok Kumar Jain, E-82, Ashok Vihar Phase—I, Delhi (Hissar-Haryana)—Flour Milling Machinery—1,500 tonnes a—(NU)

M/s Grindwell Norton Ltd; Army & Navy Building, 148, ahatma Gandhi Road, Bombay—(Bangalore-Karnataka)—licon Carbide Synthetic Abrasive Grains—5,000 tonnes p.a—E)

Shri Naranglal Agarwal, Industrialist, 4-Bashir Bagh Palace mpound, Hyderabad—(Nalgonda-Andhra Pradesh)—Ball earings—3.6 mill. nos; Cylinderical Roller Bearings—0,5 mill. os; Spherical Roller Bearings—0.5 mill. nos; Taper Roller earings—1.0 mill. nos;—(NU)

Agricultural Machinery

Shri Shankar Lal Agarwal, c/o M/s Calcutta Proofing Com-ny, Chinchpokli, Cross Lane-5, Bombay—(Kangra-Himachal radesh)—Belt Pulleys—36,000 nos p.a—(NU)

Engineering Industries

M/s Techni Process Pvt. Ltd; 23-Camac Street, Calcutta-16 (Tarapore-Maharashtra)—Cellulose Acetate Sheets—175 nnes p.a—(NU)

Shri Manhar Lal H. Vora, 9th Floor, 4-A, Ray Street, lcutta-20—(West Bengal)—Forged Hand Tools Pliers, Span-rs and Wrenchet)—3,000 tonnes p.a—(NU)

Chemicals (Other than Fertilizers)

M/s Andhra Sugars Ltd; Chemical Division, Post Box No. Venkatarayapuram, Taluka. (A.P.)—(Kovvur, West Godavari, Andhra Pradesh)—Sulphuric Acid—8,250 tonnes (Total annual capacity after expansion—24,750 tonnes p.a.) (SE)

M/s Electro Chemicals & Industries Ltd; Industry House, 2nd Floor, 45, Race Course Road, Bangalore—(Mysore-Karnataka)—Chemical Manganese Dioxide—3,000 tonnes p.a; Manganese Chemicals & Salts—1,000 tonnes p.a—(NA)

The Managing Director, U.P. State Industrial Development Corporation Ltd; Directorate of Industries Building, 117/420, G.T. Road, Kanpur—(Uttar Pradesh)—Synthetic Detergents—10,000 tonnes p.a—(NU)

M/s Polychem Limited, 7-Jamshedji Tata Road, Churchgate Reclamation, Bombay-20—(Koyali, Gujarat)—Acrylonitrile Butadiene—2,000 tonnes p.a—Styrene (ARS) Resins 2000 tonnes p.a.—(NA)

Food Processing Industries

M/s Viking Maize Products, Care Jain Sharma & Co., 22, Katewa Bhavan, Jaipur—(Bhilwara, Rajasthan)—Maize Products—30,000 tonnes p.a—(NU)

Vegetable Oils & Vanaspati

M/s Jayant Oil Mills Pvt. Ltd; Uppal Industrial Area, Hyderabad—(Andhra Pradesh)—Castor Oil & Other Bye-Products—12,500 tonnes in terms of Castor Seeds—(NA)

Leather and Leather Goods

Shri R Y. Gaitonde, Director: M/s Coromandel Leathers (P) Ltd; 10/B, Vepery High Road, Periamet, Madras—(Ranipet, North Arcot, Tamil Nadu)—Finished Leather from Skins—9,00,000 pieces p.a—(NU)

Cement and Gypsum Products

Shri Mohan Lal P. Jain, 228-Upper Palace Orchards, Sadashivnagar, Bangalore-6—(Talikote, Bijapur, Karnataka)—Portland Cement—4,00,000 M.T—(NU)

Change in Names of Owners or Undertakings

(During the week ended March 23, 1974)

(Information pertains to particular licences only)

M/s Motilai Padampat Sugar Mills Company Private Limited, Kanpur—to—M/s Motilal Padampat Udyog Limited, Kanpur.

M/s Indian Cable Industries—to—M/s Finolex Cables Limited.

Letters of Intent Revoked or Surrendered

(For the week ended March 23, 1974)

(Information pertains to particular letters of intent only)

M/s M.K. Raju, Hazur Garden, Sembiam, Madras—Piston Assembly and Liner Assembly.

M/s Bharat Heavy Plate & Vessels Ltd; Visakhapatnam. —Electrostatic Precipitators.

Licences Issued

(During the week ended March 30, 1974)

Metallurgical Industries (Ferrous)

M/s Somani Ferro Alloys Ltd, Commerce House, 7th Floor, 2-Ganeshchandra Avenue, Calcutta. (Kalyani, Nadia, W. Bengal—Mild Steel Ingots—18,000 tonnes p.a—(COB)

Shri Moni Bose, Managing Director, M/s Shivmoni Steel Tube Ltd; 35/6-A, Langford Road, Bangalore—(Bangalore—Karnataka)—M.S. Black & Galvanised Tubes—28,000 tonnes p.a—(COB)

M/s Steel Krafts, G.T. Road, Panipat, Haryana—(Panipat—Haryana)—ERW Tubes—18,000 tonnes, M.S. Black & Galvanised Tubes—8,000 tonnes—(COB,)

Metallurgical Industries (Non-Ferrous)

M/s Akshani Steel & Castings Corpn, D-4, Amali, 16-Napean Sea Road, Bombay-6—(Aurangbad—Maharashtra)—Ferrous Die-Castings—2,250 tonnes p.a; Aluminium Die-Castings—500 tonnes p.a; Brass Die-Castings—250 tonnes p.a—(NU)

Electrical Equipment

M/s Bombay Engg. Co., 28, 2nd Floor, Shanker Seth Building, Bombay-2—(Bombay—Maharashtra)—Lead-in-Wires—100 tonnes p.a—(NA)

Industrial Machinery

M/s Evergreen Wirecloth Factory Pvt. Ltd; 151-155, Shamldas Gandhi Marg, Bombay-2—(Bombay—Maharashtra)—Gava Separator (Gas Vapour Separators) i.e. Demisters—50 tonnes p.a; (NA)

M/s Star Textile Engg Works Ltd; Plant Mill Street, Furgusson Road, Lower Parel, Bombay—(Manpada—Bhopar, Thana, Maharashtra)—Bare Cylinder Grinder—30 nos p.a; Traverse Wheel Grinder for Flexible Card Clothing for Cotton Cards; Traverse Wheel Grinder for Metalic Card Clothing for Cotton Cards; Traverse Wheel Grinder for Metallic Card Clothing for Woolen & Worsted Cards—135 nos p.a; (NA)

M/s New Central Jute Mills Co Ltd; 11-Clive Row, Calcutta-1—(Budge-Budge, 24-Parganas; (West Bengal)—Cop Winding Machines (120/144 Spl)—36 nos p.a; Pre-Beaming Machines—24 nos p.a; Loom Narrow End Broad (Non-Auto)—60 nos and 150 nos; Sack Sewing Machines (O.H. and HERAKLE)—200 nos p.a; Roll Formers—100 nos; Spares and Accessories for the Jute Machinery; Rs 6 lakhs—(NA)

Shri Charanjit Singh, 9-Friends Colony, Mathura Road, New Delhi; (Delhi)—Complete Automatic Bottling Plants including Bottle Washer, Filter and Intermix & Accessories for Soft Drinks, Beer, Milk and Fruit Juices—25 plants p.a; (NU)

Medical and Surgical Appliances

M/s KEHR Surgical and Allied Products Pvt. Ltd; C-34, Panki Industrial Estate, Kanpur; (Kanpur—UP)—Suture Needles—3 million nos p.a—(NU)

Chemicals (Other than Fertilisers)

M/s Modern Industries, G.T. Road, Shahibabad; Ghaziabad (Shahibabad, Ghaziabad, UP)—Oxygen Gas—4,50,000 cubic meters, Acetylene Gas—1,00,000 cubic meters—(NA)

M/s Jayshree Chemicals Ltd: 14, Netaji Subhas Road, Calcutta-1; (Ganjam, Orissa)—Sodium Hydrosulphite—3,000 tonnes p.a; (NA)

Drugs and Pharmaceuticals

M/s Dey-Sey-Chem Ltd; 8, Rifle Range Road, Calcutta-19; (West Bengal)—Chloramphenicol Palmitate—35 tonnes p.a; (SE)

Textiles

Shri A.K. Phukan, Mg. Dir., M/s Marathwada Development Corpn. Ltd; Anvikar Bldg; Adalat Road, Aurangabad; (Tuljapur, Osmanabad, Maharashtra)—Cotton Yarn—25,000 spindles—(NU)

M/s West Bengal Industrial Development Corporation Ltd; 23-A, Netaji Subhas Road, Calcutta-1; (West Bengal)—Cotton Yarn—25,000 spindles—(NU)

M/s West Bengal Industrial Developmcnt Corporation Ltd; 23-A, Netaji Subhas Road, Calcutta-1: (West Bengal)—Cotton Blended yarn—25,000 spindles—(NU)

The New Swadehi Mills of Ahmedabad Ltd; Naroda Road Ahmedabad-24: (Ahmedabad—Gujarat)—Cotton Yarn—48,33 spindles—(SE)

M/s Venus Tape Works, At & Post Naroli, (Dadra & Naga Haveli) Via: Bhilod (W. Rly.)—Cotton Tapes & Spindle Tapes—32 Tape looms—(COB)

M/s The Gujarat State Federation of Co-operative Spinnin Mills Limited, c/o Saurashtra Co-operative Spinning Mills Ltd Limbdi, Distt: Surendranagar; (Gujarat) Dist: Mehsana)—Cotton Yarn—25,000 spindles—(NU)

M/s The Gujarat State Federation of Co-operative Spinnin Mills Limited, c/o Saurashtra Co-operative Spinning Mills Ltd Limbdi, Distt: Surendranagar, (Panchmahal—Gujarat)—Cotto Yarn—25,000 spindles—(NU)

M/s The Gujarat State Federation of Co-operative Spinnin Mills Limited, c/o Saurashtra Co-operative Spinning Mills Ltd Limbdi, Distt: Surendranagar? (Porbandar, Junagarh Distt Gujarat)—Cotton yarn—25,000 spindles—(NU)

M/s The Gujarat State Federation of Co-operative Spinning Mills Limited, c/o Saurashtra Co-operative Spinning Mills Ltd Limbdi, Distt: Surendranagar; (Bhavnagar—Gujarat)—Cotto yarn—25,000 spindles—(NU)

M/s The Gujarat State Federation of Co-operative Spinning Mills Limited, c/o Saurashtra Co-operative Spinning Mills Ltd Surendranagar, Gujarat)—Cotton yarn—25,000 spindles—(NU

Sugar

The Secretary, UP Co-operative Sugar Factories Federation Ltd; 9/A, Rana Partap Marg, Lucknow—(Nampara, Baharaich, UP)—Sugar—1,250 tonnes Cane crushing capacity per day—(NU)

The Secretary, UP Co-operative Sugar Factories Federatic Ltd; 9/A, Rana Partap Marg, Lucknow—(Mehmoodabad, Sitapur, Uttar Pradesh)—Sugar—1,250 tonnes Cane crushing capacity per day—(NU)

The Secretary, UP Co-operative Sugar Factories Federation Ltd: 9/A, Rana Pratap Marg, Lucknow—(Hasanpur, Moradabad Uttar Pradesh)—Sugar—1,250 tonnes Cane crushing capacity per day—(NU)

The Secretary, UP Co-operative Sugar Factories Federation Ltd: 9/A, Rana Pratap Marg, Lucknow—(Tilhar, Shahjahanpur Uttar Pradesh)—Sugar—1,250 tonnes Cane crushing capacity per day—(NU)

The Secretary, UP Co-operative Sugar Factories Federation Ltd; 9/A, Rana Pratap Marg, Lucknow—(Azamgarh, Uttar Pradesh)—Sugar—1,250 tonnes Cane crushing capacity per day—(NU)

The Secretary, UP Co-operative Sugar Factories Federation Ltd; 9/A, Rana Pratap Marg, Lucknow—(Budhpur, Meerut, UP)—Sugar—1,250 tonnes Cane crushing capacity per day—(NU)

The Secretary, UP Co-operative Sugar Factories Federation Ltd; 9/A Rana Pratap Marg, Lucknow—(Nanauta, Saharanpur, UP)—Sugar—1,250 tonnes Cane crushing capacity per day—(NU)

Shri Pandharinath Tukaram Patil, Chairman: Shri Pant Ek-Nath Co-operative Sugar Factory Ltd; Paithan, Aurangabad—(Paithan, Aurangabad, Maharashtra)—Sugar 1,250 tonnes Cane crushing capacity per day—(NU)

M/s Godavari Dudhana Sahakari Sakhar Karkhana, Devnandra Taluka Pathri, Distt: Parbhani, c/o Yeshwant Co-operative Ginning Pressing & Oil Mills Ltd; Sailu, Distt: Parbhani—(Pathri, Parbhani, Maharashtra)—Sugar 1,250 tonnes Cane Crushing capacity per day—(NU)

Fermentation Industries

M/s Indian Organic Chemicals Ltd; 28, Apollo Street, Fort, mbay—(Maharashtra)—Industrial Alcohol—8 mill. litres per num—(NA)

Food Processing Industries

M/s Lakshmi Janardan Food Products Pvt Ltd; 44-B, Kali ishna Tagore Street, Calcutta-7—(Midnapur-West Bengal)—lby Food—1,750 tonnes p.a—(NU)

M/s Universal Tyres Ltd; 21, Malaviya Road, Allahabad—aini, Uttar Pradesh)—Rubber Conveyor Beltings—1,000 nnes p.a—(na)

Letters of Intent

(During the week ended March 30, 1974)

Metallurgical Industries (Ferrous)

M/s Sekhar Tubes (P) Ltd; Meerut Road, Ghaziabad—haziabad-Uttar Pradesh)—M.S. Black & Galvanised Tubes 21,000 tonnes p.a—(COB)

M/s Kamani Engg Corpn Ltd; Kamani Chambers, Ballard tate, Bombay—(Bombay-Maharashtra)—Mild Steel Bolts & uts—18,000 tonnes. High Tensile Bolts & Nuts—5,000 tonnes t. High Tensile Machine Screws—1,000 tonnes—(NU)

Metallurgical Industries (Non Ferrous)

M/s Metal Lamp Caps (India) Pvt Ltd; No 2, Murphy Road B. No No 875, Ulsoor, Banglore—(Bangalore-Karnataka)—uminium Strips—720 tonnes p.a (NU)

Electrical Equipment

Shri A.K, Jain, 11-Shriram Buildidg, Jawaharnagar, Delhi-7 (Naini-Allahabad, UP)—Magnetic Strips Wound Cores—0 tonnes p.a—(NA)

M/s Cutler-Hammer India Ltd; 20/4, Mathura Road, ridabad—(Ballabgarh, Gurgaon, Haryana)—Thermostats—50,000 nos—(SE)

M/s The Alluminium Industries Ltd; No 1, Ceramic Factory oad, Kurand P.O., Alleppy District—(Chenganmur-Kerala)—rcuit Breakers above 66 KV and upto and including 132 KV 30 nos. p.a: Current Transformers about 66 KV and upto d including 132 KV—180 nos. p.a—(NA)

M/s Hindustan Machine Tools Limited, Bangalore—(Hydera d-Andhra Pradesh)—GLS Filaments—115.4 mill. nos. Tung-n Wire—13,420 tonnes equivalent to 280 mill. metres. GLS mps—20 mill. nos. Lamp Making Machines—8 chains Machines Lines) *Glass Components*: Incandescent Glass Lamp ells—50 mill. nos. Fluorescent Tube Shells—5mill. nos. ad Glass Tubes and Rods—1,300 tonnes. *Metal Caps*; For candescent Lamps—45 mill. nos; For Fluorescent Lams—5 ll. nos.*Lead in-wire*: For Incandescent Lamps—50 mill. metres. r Fluorescent Lamps—1.5 mill metres. Fluorescent Lamp arter Electrodes—5 mill. starters—(NA)

Shri Ram Paul Gupta, c/o M/s Durga Dass & Sons, 2820, uru Nanak Auto Market, Kashmere Gate, Delhi-6—(Ghazia-d-UP)—Silicon Transistors—2 mill. nos. Silicon Diodes—8 mill. nos. Integrated Circuits—0.2 mill. nos—(NU)

Shri A. M.Parekh, 32, Nicol Road, Ballard Estate, Bombay (Bhavnagar-Gujarat)—Pick-up Cartridges—1.5 lakh nos. ylii—4.5 lakh nos. Sapphire Points—18 lakhs nos—(NU)

Shri A.K. Agarwal, Mg. Dir, Vikas Motors, 12-A, Nazaf-rh Road, New Delhi-15—(Gurgaon-Haryana)—Shock Absor-rs—17 lakh nos. p.a—(NU)

Transportation

Shri Ramanathan Palaniappan 18, Agasteeswarmagar, Halls oad, Madras—(Saidapet, Chingleput, Tamil Nadu—Gaskets—) mill nos.

Shri S. N. Bangla, 5-H, New Road, Alipore, Calcutta (Uttar Pradesh)—Automobile Shock Absorbers—5 lakh nos. p.a.—(NU).

M/s Rajasthan Containers Ltd; 32, Jorbagh, New Delhi—(Gurgaon-Haryana) or (Bangalore-Karnataka)—Break Assemblies for Automobile use—90,000 sets—(NU)

M/s Lucas—TVS Ltd; Padi, Madras-60—(Madras-Tamil Nadu)—Starters—1,95,000 nos—Generators. 1,95,000 nos—Regulators—3,00,000 nos—Flashers 2,50,000 nos— Head Lamps 4,50,000 nos—(SE)

Industrial Machinery

M/s Atlas Copco (India) Ltd; Mahatma Gandhi Memorial Building, Netaji Subash Road, Bombay-2—(Poona-Maharashtra)—Wagon—50 nos. p.a; Carrier—30 nos. p.a; Screw Feed—100 nos. p.a; Drilling Rigs—30 nos. p.a; Drifter—180 nos. p.a; Hydrobeam—80 nos. p.a; Grinder—150 nos. p.a; Feed Beam—50 nos. p.a; Rotation Unit—30 nos. p.; Drill Tubes—150 nos. p.a—(NA)

Shri K.K. Verma, 17/2, Nungambakkam High Road, Madras-34—(Ranipet, North Arcot, Tamil Nadu)—Textile Spindles—2.4 lakh nos; Bolster-Insert Combinations—3.6 lakh nos—(NU)

M/s Titaghar Paper Mill Company Ltd; Chartered Bank Building, Calcutta—(Titaghar, Kankinara and Daulatabad in West Bengal and Orissa)—Pulp and Paper Making Machinery—*250 tonnes p.a. (*represents the combined capacity in respect of the three locations)—(NA)

Machine Tools

Shri Padam Dutt, Ravi Electrical Industries (P) Ltd; 103/2, B. L. Saha Road, Calcutta—(Hoshiarpur-Punjab)—Heat Treatment Furnaces—50 nos. p.a; Main Medium & High Frequency Induction Melting Furnaces upto 500 Kg. capacity 15 nos. p.a; Special Duty Transformers upto 6000 KVA excluding Power and Distribution Transformers—150 nos. p.a; Investment and Precision Castings—200 nos. p.a—(NU)

Engineering Industries

M/s Steel & Allied Products Ltd; 2/1, Hussain Shah Road, Calcutta-23—(Howrah-West Bengal)—Hot Saws—3,000 nos; Segmental Saw Discs—1,600 nos. p.a.—(NA)

M/s Hindustan Gas and Industries Ltd; 10-Camac Street, Calcutta—(Calcutta,West Bengal)—Engineers Steel Files—5 lakh dozens p.a.—(SE)

Chemicals (Other than Fertilisers)

M/s Earnest John & Company Pvt. Ltd; 3-C 2, Court Chambers, New Marine Lines, Churchgate, Bombay—(Madhya Pradesh)—Ethyl Acetate—300 M. tonnes; Amyl Acetate—150 M. tonnes; Garanyl Acetate—50 M. tonnes; Linelyl Acetate—50 M. tonnes; Benzyl Acetate—100 M. tonnes; Benzyl Benzoate—100 M. tonnes; Ethyl Benzoate—100 M. tonnes; Methyle Acetate—50 M. tonnes; Methyl Salicylate—100 M. tonnes—(NU)

Shri Lalit Kumar Kanoria, 23-A, Netaji Subhash Road, 5th Floor, Calcutta—(Haryana)—Furfural—3,000 tonnes p.a—(NU)

Shri Hari Shankar Goenka, 6, Southend Park, Calcutta-29—(Uttar Pradesh)—Furfural—3,000 tonnes p.a—(NU)

M/s Mysore State Industrial Investment & Development Corporation, Harinivas, Cunningham Road, Bangalore—(Mysore-Karnataka)—HWM Viscose Staple Fibre—10,000 tonnes p.a—(NA)

M/s Sakthi Sugar Ltd; 72, Sen Gupta Street, Ramnagar, Coimbatore—(Coimbatore-Tamil Nadu)—Furfural—10,000 tonnes p.a—(NU)

M/s Punjab State Industrial Development Corporation Limited, Chandigarh—(Ludhiana-Punjab)—Malathian Technical—1,000 tonnes p.a—(NU)

M/s Alta Laboratories Pvt. Ltd; Alta Bhavan, 532, Senapati Bapat Marg, Post Box No. 7019, Dadar, Bombay—(Bombay-Maharashtra)—DOP and DBP Plasticisers—6,200 tonnes p.a—(SE)

M/s Hico Products (P) Ltd; Mogal Lane, P.B. No. 6467, Mahim. Bombay—(Bombay-Maharashtra)—a) Cycocel Technical—50 tonnes p.a; Dichloro—Propionate (Dalapon)—100 tonnes—(NA)

M/s Hindustan Lever Ltd; Hiudustan Lever House, Backbay Reclamation, Bombay—(Midnapur-West Bengal)—Caustic Soda—33,000 tonnes—(NU)

M/s Vividh Pharmaceuticals Ltd; Tulsiram Mills Estate, Darukhana, Reay Road, Bombay—(Panch Mahal-Gujarat)—Cycocel Formulations—62 tonnes in terms of Technical material—(NU)

M/s Kanoria Chemicals Industries Ltd; 16-A, Brabourne Road, Calcutta—(Renukoot-U.P.)—Stable Bleaching Powder—15,000 tonnes p.a—(SE)

Shri A.C. Gulati, D-17, N.D.S.E. Part-II, New Delhi—(Faridabad-Haryana)—Cresols—500 tonnes p.a—(NU)

Shri Ajit S. Ahluwalia, 16/74, Civil Lines, Kanpur—(Magarwara, Distt: Unnao, Uttar Pradesh)—Carbon Dioxide Gas—1620 tonnes p.a—(NU)

Drugs & Pharmaceuticals

M/s Sarabhai Chemicals, Wadi, Baroda, Gujarat—(Baroda-Gujarat)—Marcaine—100 Kgs. p.a.—(NA)

M/s Indian Drugs & Pharmaceuticals Limited, N-12, South Extension Part-I, Ring Road, New Delhi—(Not indicated)—Sulphadiazine—300 tonnes; Phthalyl Sulphnthiazole—100 tonnes; Sulphamraxine—30 tonnes; Methyl Dopa—10 tonnes; Metronidazol—30 tonnes; Chlorozuin—80 tonnes; Chloropropamide —15tonnes; Indomethacin—5 tonnes; Pentothenic Acid & its salts—40 tonnes; Glybenclamide—5 tonnes; Caffeine, Aminophyline & Theophlline—250 tonnes; (A) Trimethoprim &(B) Sulphame Thoxazole—10 tonnes; Ethambutol—15 tonnes; Diazepam—1 tonnes—(NU)

M/s Unichem Laboratories Ltd; 4-6, Jogeshwari Estate, Jogeshwari (West), Bombay-60—(Bombay-Maharashtra—I-Ephedrine Hydrochloride includiug its formulations (tablets — syrup) of I-Ephedrine Hydrochloride—50 tonnes p.a.—(NA)

M/s Unichem Laboratories Ltd; 4-6, Jogeshwari Estate Jogeshwari (West), Bombay-60—(Bombay-Maharashtra)—Metroninazole—6 tonnes p.a. Metronidazole Tablets—20 Mill. nos —(NA)

M/s Indian Drugs & Pharmaceuticals Ltd; N-12; South Extension Part-I, New Delhi—(Bihar)—Niacinamide—300 tonnes; Niacin—500 tonnes; Methl Ethyl Pyridine (MEP)—1,200 tonnes; Acetic Acid—4,500 tonnes; Acetaldehyde—7,500 tonnes —(NU)

Textiles

M/s Niranjan Mills (P) Ltd; Falsawadi Road, Surat-3—(Surat-Gujarat)—Cotton Cloth—500 tonnes—(SE)

M/s Madan Industries Ltd; P.O. Hastinapur, Distt. Meerut —(Hastinapur-UP)—Cotton Cloth—300 looms—(SE)

Paper & Pulp

M/s Warden & Co. (I) Pvt. Ltd; 340, J.J. Road, Byculla, Bombay—(Thana-Maharashtra)—Paper Boards—15,000 tonnes —(NA)

M/s Mysore State Industrial Investment Corporation Hariniwas, Cunningham Road, Bangalore—(Nanjangud. Myso Karnataka)—Linter Pulp—10,000 tonnes p.a.—(NU)

Fermentation Industries

M/s Flour & Food Ltd; 27, Mahatma Gandhi Road, Indo —(Indore/Dewas-Madhya Pradesh)—Baker's-Yeast—1,000 to nes; Fodder Food & Pharmaceutical Yeasts & Enzymes—1,0 tonnes—(NU)

Vegetable Oils and Vanaspati

Shri S.D. Malik, C-2/34, Safdarjung Enclave, New Delhi-(Akola, Jalagaon, Maharashtra)—Cotton Sced Oil and its by products—30,000 tonnes in terms of cotton seeds. p.a.—(NU)

M/s Anand Taluka Cooperative Cotton Sale Ginning Pressing Society Ltd; Chikodra, Kalra—(Anand-Gujarat)-Cotton Seed Oil—20,000 tonnes in terms of seeds—(NA)

Rubber Goods

M/s Cosmos India Rubber Works Pvt. Ltd; 7-Homji Stree Fort, Bombay-1—(Satpur, Nasik, Maharashtra)—Long Lengt Moulded Hoses, High Pressure Hydraulic Hoses, Chemic Hoses, Oil Hoses and Steam Hoses excluding agricultura Hoses (water delivery and Suction Hoses and Garden Hoses) 2 lakh metres p.a—(SE)

Shri Ratanchand Ranka,18/216, B.K.M. Street, Cuddapa —(Cuddapah-Andhra Pradesh)—Synthetic Rubber Aprons-48,00,000 pieces. Synthetic Rubber Cots—20,00,000 piece Loom Puffers—7,00,000 pieces—(NU).

M/s Andrew Yule & Company Ltd; Yule House, Calcutta-(Sonipat, Haryana)—Conveyer Belting—1,600 tonnes p.a. Ste Cord Belting—500 tonnes p.a. PTC Belting—800 tonnes p.a Fan & V Belts—12 lakh nos.—(NU)

M/s U.P. State Industrial Development Corporation Limited, 117/42, G.T. Road, Box No. 413, Kanpur—(Uttar Pradesh —Scooter Tyres & Tubes—5,00,000 nos. p.a—(NU)

Leather and Leather Goods

M/s Ciria Tanning Co. (P) Ltd; 6/F, Kayatala Road, Calcutta—)Jadavpur, 24-Parganas, West Bengal)—All types o finished leather and semi-finished leather from hides—37,90 nos. p.a. All types of finished leather and semi-finished leather from skins—6 lakh nos. Leather foot-wear/shoe uppers —3 lakh nos. p.a. Lether finished goods, other than foot-wea —3 lakh nos. p.a.

Glue and Gelatine

M/s Hindustan Lever Ltd: Hindustan Lever House, 165/16 Backbay Reclamation, Bombay—Thana/Kolaba-Maharashtra —Ossein—3,000 tonnes p.a. Di-calcium Phosphate (Bye Products)—6,000 tonnes p.a—(NU)

Letters of Intent Revoked or Surrendered

(During week ended March 30, 1974)

(Information pertains to particular letters of intent only)

M/s Killick Nixon Ltd; Killick House, Home Street, Bombay—(Maharashtra)—Hydraulic Equipment.

M/s Saru Enginearing Corpn Ltd; Sardhana Road, (Nea Cantt. Rly. Crossing) Meerut—(Uttar Pradesh)—3-Wheeler Commercial Vehicles.

M/s Dempo & Co. (P) Ltd: Dempo House, Campal, Panaj (Goa)—(Goa/Karnataka)—High Tensile Bolts & Nuts.

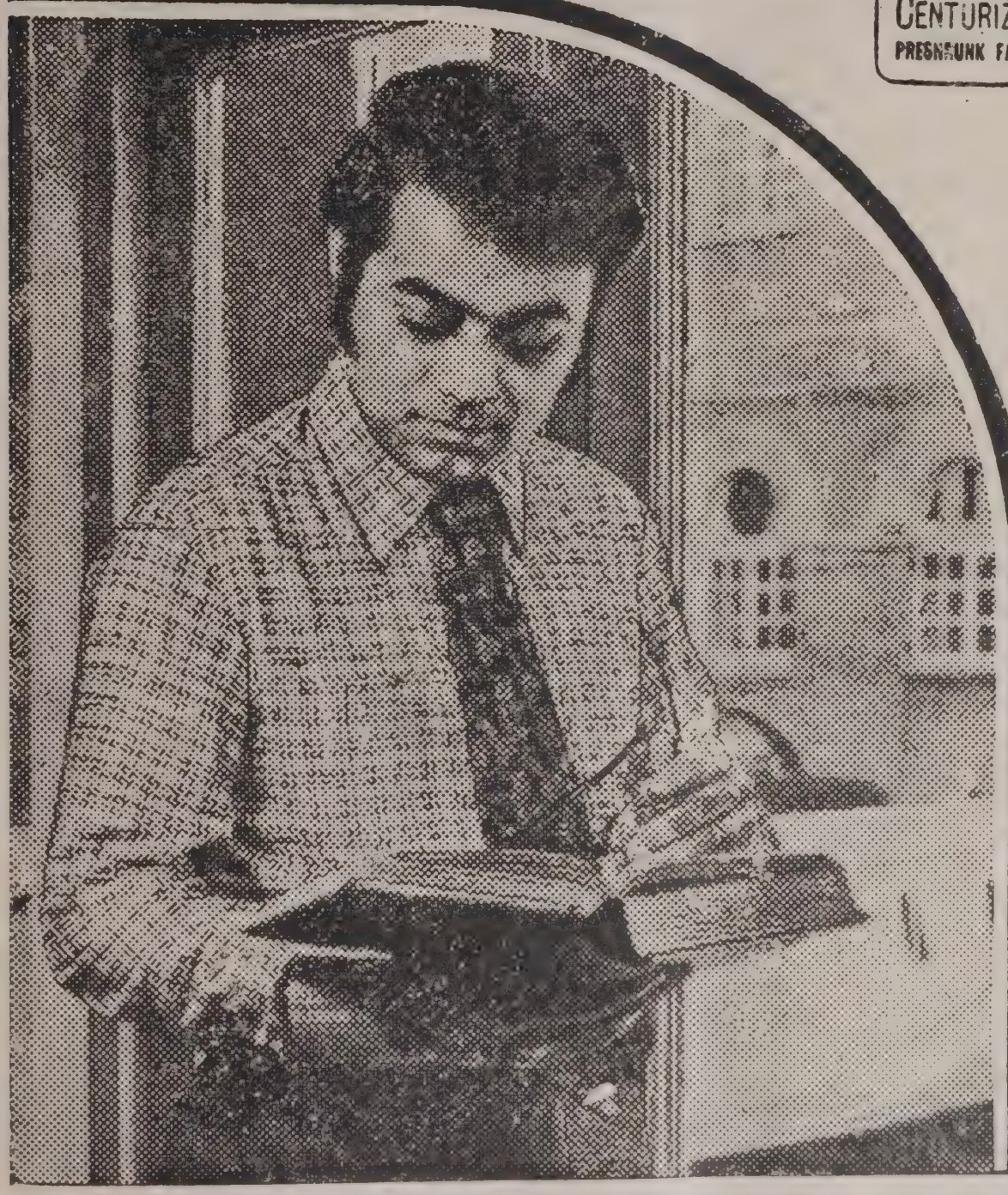
M/s Menon & Menon Pvt Ltd; Vikram Nagar, Kolhapur—(Maharashtra)—Diesel Engines.

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Foreign Controlled Drug Firms

IN ANSWER to an unstarred question in the Rajya Sabha on July 22, 1974, Mr Shah Nawaz Khan, the minister of state in th ministry of Petroleum and Chemicals, said that the total paid up capital in equity in the organised sector of drugs and pharmaceutic industry was about Rs 113 crores out of which the share of foreign controlled drug firms with foreign equity exceeding 50 per cent wa Rs 27.19 crores (excluding May and Baker Ltd., Anglo Thai Corporation, Chesbrough Ponds Inc., Cooper Laboratories, C.W. Carn rick, Nicolas of India Limited, John Wyeth Bros. and Smith Kline and French — which are branches of foreign comapanies operatin in India). The percentage share of foreign controlled drug firms in total equity of the organised sector of this industry was 24.1.

The statement below sets out the gross and net profits earned by the foreign controlled drug firms for the three years endin 1971-72:—

(Rs in lakh

S. No.	Name of the Firm	Gross profit before tax			Net profit after tax		
		1969-70	1970-71	1971-72	1969-70	1970-71	1971-7
1.	2	3	4	5	6	7	8
1.	M/s Alkali & Chemicals Corporation Ltd.	238	268.57	248.37	94	104.27	78.0
2.	M/s. Anglo French Drug Co.	21.92	30.41	25.66	6.72	8.41	7.0
3.	M/s Bayer (I) Ltd.	105.42	160.92	231.64	105.42	160.92	154.6
4.	M/s Beecham (I) Pvt. Ltd.	17.01	23.91	24.37	6.01	7.81	8.0
5.	M/s Boehringer-Knoll Ltd.	19.77	19.50	54.00	8.91	9.98	21.0
6.	M/s Boots Co. of India Ltd.	60.91	75.91	86.71	23.31	26.76	29.7
7.	M/s Burroughs Wellcome & Co.	36.03	55.44	64.85	12.77	18.44	20.3
8.	M/s Ciba of India Ltd.	158.65	211.25	195.96	68.00	94.25	114.4
9.	M/s Cynamid (India) Ltd.	275.82	312.19	393.29	94.03	96.58	115.0
10.	M/s Glaxo Laboratories Ltd.	385.95	307.13	433.90	154.95	149.13	175.9
11.	M/s Johnson & Johnson	68.96	63.53	46.72	20.77	17.61	11.5
12.	M/s May & Baker Ltd.	109.46	121.00	125.36	NA	NA	NA
13.	M/s Merck Sharp & Dohme	152.05	175.72	—	45.82	52.22	—
14.	M/s Parke Davis (I) Ltd.	233.81	137.78	142.82	70.00	36.82	42.0
15.	M/s Pfizer Ltd.	419.46	482.30	—	155.60	173.48	—
16.	M/s Reckitt & Colman of India	105.38	77.84	76.96	39.87	27.66	29.5
17.	M/s Richardson Hindustan	44.63	65.71	42.65	25.63	32.21	17.1
18.	M/s Roche Products	117.67	205.08	174.63	43.67	58.32	53.8
19.	M/s Sandoz (India) Ltd.	99.63	90.00	114.84	36.12	31.25	32.9
20.	M/s Searle (India) Ltd.	6.11	17.48	18.00	6.11	17.48	18.0
21.	M/s Smith & Nephew	16.01	16.48	9.96	5.51	5.08	2.5
22.	M/s Wyeth Labs. Ltd.	11.46	43.49	—	1.96	13.49	—
*23.	M/s Abbott Laboratories	96.09	126.22	106.00	NA	NA	NA
*24.	M/s Anglo Thai Corporation	47.77	53.44	67.00	NA	NA	NA
25.	M/s Cooper Laboratories Inc.	3.46	5.51	3.22	1.03	NA	NA
*26.	M/s Chesbrough Ponds Inc.	37.83	57.80	81.96	NA	NA	NA
*26.	M/s C.E. Fulford Ltd.	1.04	0.99	Loss	NA	NA	NA
*28.	M/s Dental Products of India	1.91	4.19	2.49 (relate to 17 months)	NA	NA	NA
29.	M/s Ethnor Ltd.	8.87	17.82	26.09	3.42	5.22	7.0
30.	M/s E. Merck Ltd.	5.51	41.09	—	2.12	6.84	—
*31.	M/s Labs Grimault Ltd.	17.46	21.02	14.86	NA	NA	NA
*32.	M/s G.W. Carnrick (Asia) Ltd	0.91	0.74	NA	NA	NA	NA
33.	M/s Indian Schering	53.01	30.89	37.04	18.76	9.59	11.2
34.	M/s John Wyeth Bros	55.54	52.06	—	23.26	23.68	—
35.	M/s Nicholas of India Ltd.	11.17	24.67	28.80	3.40	5.77	6.0
36.	M/s Roussel Pharmaceuticals	7.25	8.43	—	2.70	3.42	—
37.	M/s Smith Kline & French Ltd	63.68	99	51	NA	NA	NA

*The figures are take from the returns furnished by the companies and relate to the years 1968-69/1969, 1970-71/1970 an 1971-72/1971 respectively.

Paying for the strike

IN THE supplementary Railway budget presented to parliament on August 21, the Railway minister has proposed to increase freight rates and passenger fares to an extent which would bring in an additional revenue of Rs 140.07 crores during the remaining part of the current financial year. To this amount — which is about equal to the shortfall now expected in revenues estimated in the main budget — goods traffic will contribute Rs 94.92 crores through a supplementary charge of 16⅔ per cent on hauls up to 500 kilometres and a supplementary charge of 22 per cent on hauls beyond that distance. Food grains, pulses and edible oils are exempted from this new levy. Luggage and parcels, except for milk and vegetables, will attract a supplementary charge of 15 per cent, adding another Rs 3.6 crores. The remaining Rs 41.55 crores are to come from increases in passenger fares.

Airconditioned first class fares will bear an additional supplementary charge of 25 per cent while first and airconditioned chair car fares are to go up by 33⅓ per cent. These, taken together, will fetch Rs 5.62 crores. The minister, quite apparently, had to overcome considerable reluctance while proposing to raise the cost of second class travel. He, however, did not have much choice. Accordingly second class fares for distances from 26 kilometres to 250 kilometres will bear a supplementary charge of 25 per cent while fares for distances beyond 250 kilometres are to bear a supplementary charge of 20 per cent. These revisions in fares, which are to apply only to journeys by ordinary trains, will yield an additional revenue of Rs 17.96 crores. Slightly more than this amount, to wit Rs 17.97 crores, is to be gathered through a raising of fares on journeys by mail and express trains. In this case a supplementary charge of 25 per cent will be levied on all journeys up to 250 kilometres. For longer travel the rate will be the same as for ordinary trains, viz 20 per cent.

The minister made certain interesting points while explaining his proposals relating to passenger fares. He pointed out that he had exempted from these charges the entire body of commuters travelling second class who constitute 50 per cent of the number of passengers carried by rail as well as short-distance passengers travelling by second class up to 25 kilometres by ordinary trains who account for nearly 49.3 per cent of such traffic in non-suburban areas. Again, his scheme of revised fares aims at discouraging rail journeys over medium distances from 26 kilometres to 250 kilometres in favour of road transport by bringing up rail fares over these distances closer generally to bus fares. Mr Mishra expects this step to release some rail capacity for long-distance travellers as well as freight traffic. He has also pointed out that the supplementary charge of 25 per cent for all journeys up to 250 kilometres by mail and express trains is intended to make travel costlier for short distance passengers on mail and express trains for the benefit of long-distance travellers for whom these train services are mainly meant. Finally the minister makes no apology for increasing air-conditioned first class fares to a level which may now exceed air fares. Apart from the fact that air fares themselves may perhaps be raised, the minister obviously subscribes to the view that the less upper class travel there is by rail, the more good it would do to the socialist soul of the government.

There is no pretence this time that the new levies which are being imposed on the public are a part of the government's much advertised anti-inflationary package. It must be said to the credit of Mr Mishra that he, at any rate, has not been hypocritical like his colleague Mr Chavan who has been claiming that he is taxing the people for their own good. On the other hand, the Railway minister has clearly confessed that he has been driven to call for further sacrifices from the public because the railways simply must have the extra money.

It is necessary that the people should be fully aware of these features or aspects

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of the railway budget. Additional expenditure on account of increases in dearness allowance, the Miabhoy award and other concessions and the cost of strike-period measures have joined with an increase in the fuel bill to push up the working expenses of the railways by about Rs 106.81 crores. As against this the Railway minister hopes to cut down revenue expenditure by Rs 50.37 crores and he is therefore restricting the total of supplementary demands to Rs 56.44 crores.

Simultaneously, thanks to the railway strike in May this year, earnings for the quarter ending June have fallen short of the proportionate budget estimate of Rs 92.45 crores. The originating freight traffic has been less by 11.79 million tonnes. Moreover, during these three months, the railways carried nearly 150 million passengers less than in the corresponding period of 1973-74, the drop during May alone being 110 millions. The minister estimates that it would take a few months longer for the railways to recover and come up to the expected build-up of traffic. Meanwhile, the shortfall in revenues as forecast in the main railway budget could well be in the range of Rs 140 crores and this at least has to be made up through the additional levies now proposed. In other words, in spite of the draft now being made on those who use the railways, either for the transport of goods or for travel, railway finances would still be very much in the red, especially if the railways were to be burdened with further increases in dearness allowance, the working of the railways does not improve to the extent assumed, or the general economic conditions deteriorate and the offerings of goods traffic are affected thereby. There is also the possibility that the steep increases in passenger fares might depress the level of passenger traffic to a point where gross earnings from this source do not increase despite the higher fares. Mr Mishra seems to be aware of these pessimistic possibilities and he has served notice that his ministry will have to review the financial affairs of the railways in December and may perhaps then come forward with another round of proposals relating to expenditure and revenue.

Enter states

FOLLOWING THE floatation of three new loans by the central government in the middle of July on a slightly dearer basis, state governments have also decided to issue open market loans on terms which are somewhat favourable to the lenders, although the increase in the Bank Rate from seven per cent to nine per cent on July 22, 1974 does not seem to have influenced sufficiently the thinking of the monetary authorities. However, the buying and selling rates of central loans in the Reserve Bank's open market operations have been reduced effective from August 19 and, as a result, the redemption yields have been raised by about a quarter of one per cent in the case of almost all the loans. These rates were changed early this year long after the Bank Rate was raised to seven per cent from six per cent in May last year. The adjustments in selling and buying rates gave an indication that there might be an increase in the current and redemption yields by about 1¼ per cent and the new central loans were issued on that basis.

The states will be raising a much smaller net amount through the new loans as compared to 1973. Sixteen states have asked for an aggregate notified amount of Rs 205.25 crores as against Rs 149.75 crores last year in respect of 20 states. Himachal Pradesh, Manipur, Nagaland and Meghalaya are not now issuing new loans. The amount involved on their account in 1973 was Rs 5.25 crores. It is not known whether these states will be raising their requirements at a later date or the central government will be providing the necessary assistance.

The net amount realised, even assuming that it will be possible for all the states to exercise their right to accept subscriptions up to 10 per cent of the notified amounts in the event of over-subscription, will be only Rs 127.28 crores against as much as Rs 160 crores formerly. This is because excepting Haryana and Jammu and Kashmir all states have maturing 4½ per cent 1974 loans outstanding to the extent of Rs 98.49 crores. These loans can be converted into new loans at par and any amount remaining unconverted will be redeemed on August 27, 1974. The lists for all loans will open on this date and close on August 31 or earlier if the required subscriptions are received in the meantime. It can certainly be expected that the states will be helped to get the loans oversubscribed though in view of the unusually stringent conditions in the money market there will not be an undue anxiety to close all the lists on the opening day.

While there is no doubt about the success of the loans it is intriguing why the states have been allowed to borrow on a smaller scale. Also it is difficult to understand how individual quotas have been fixed as many states will be securing considerably smaller net amounts than others and even some financially weak states have not been helped to secure more resources through loans. Thus, seven states, Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Rajasthan, Tamil Nadu and Uttar Pradesh will be raising a gross amount of Rs 16.25 crorses each Bihar Rs 14 crores, West Bengal Rs 13.50 crores, Orissa Rs 13 crores, Punjab Rs 12 crores, Haryana Rs 11.25 crores, Madhya Pradesh Rs 9.50 crores, Kerala Rs 8.25 crores, Assam Rs 7.75 crores, and Jammu and Kashmir Rs 2.25 crores. These gross amounts however do not provide any correct indication of the net amounts mobilisable by each state assuming that all the loans will be oversubscribed and the accepted amounts will be higher by 10 per cent as a result of the exercise of the right to accept subscriptions up to 10 per cent in excess of the notified amounts.

The largest net amount raised will be by Rajasthan which will be gathering Rs 12.93 crores (though it will be less than in 1973), Haryana will be netting Rs 12.37 crores, Gujarat Rs 12.24 crores, Karnataka Rs 11.29 crores, Bihar Rs 11.08 crores, Punjab Rs 9.55 crores, UP Rs 9.28 crores, West Bengal Rs 7.82 crores, Andhra Pradesh Rs 6.88 crores, Orissa Rs 6.58 crores, Assam Rs 5.51 crores, Madhya Pradesh Rs 5.39 crores, Kerala Rs 4.87 crores, Maharashtra Rs 4.44 crores,

nil Nadu Rs 4.62 crores, and Jammu l Kashmir Rs 2.48 crores. What is lly striking is the fact that some states l be raising larger net amounts than y did in 1973 even though in the aggre- e the states will be borrowing on a aller scale now. Obviously, the finan- lly weaker states have been helped to se more resources. Even here, Andhra ıdesh will be having a net amount which l be only 50 per cent of that in 1973, ile Karnataka will be mobilising a lar- amount of Rs 11.29 crores against 9.12 crores. Likewise Gujarat, ıryana & Punjab will be benefitted ile Bihar, Assam, Madhya Pradesh, iissa, West Bengal, Kerala and Jammu Kashmir will be garnering more less the same amounts as in 1973. the other hand, the shortfall will be respect of Andhra Pradesh, Karnataka, jasthan, Maharashtra and Tamil Nadu. e Reserve Bank must have special rea- ns for determining the quantum of net rrowing in individual cases.

All the loans carry interest at six per cent d are offered for subscription at a dis- unt of one per cent. The duration of the ans is 10 years, the maturing date being ugust 27, 1984. The earlier loans carried erest at 5¾ per cent and the issue price s fixed at par in all cases. The loans also ature after 12 years. There has thus en an increase in the interest rate by ¼ r cent, a lowering of the issue price by e cent and a shortening of the period of e loan by two years. These loans will favoured by the scheduled commercial nks as they will be increasing the cur- nt yield on fresh investments by ¼ per nt, while the redemption yield will be ghtly higher. The absorption of Rs 7.57 crores by these loans will of course sult in a further tightening of conditions the money market as the credit institu- ons themselves may be putting up a net m up to Rs 75 crores on their own ac- unt. If there is an increase in deposits the scheduled commercial banks by even 200 crores in August it will be neces- ry to invest freshly Rs 67 crores for mplying with the statutory liquidity quirements. Only a few institutions are over invested".

The banking system may therefore ake an effort to reduce further its borrow- ings from the Reserve Bank and the amount outstanding under the bill market scheme with the remaining deposits. Any net contraction in advances will also be helpful in hastening the process of reducing borrowings from outside agencies. There may thus be some correction to the abnormal situation now prevailing in the money market. It cannot be expected however that banks will be in a position to accumulate surplus resources and meet comfortably the needs of borrowers at least in the early months of the next busy season without being compelled to approach the lender of the last resort for discounting usance bills or for utilising refinance facilities. The centre has still to complete its borrowing programme for the current year as only Rs 237 crores was raised in the first stage and about Rs 261 crores has still to be mobilised for fulfilling the target for net borrowing. Since it has become abundantly clear, that the central and state govrnments and public bodies will be making a success of their loan programmes irrespective of the state of the money market, the stringency may become less acute only if there is a strident growth in deposits and also a flattening of the rate of growth in advances.

Providing for oil imports

IN AN EFFORT to meet the increase in the oil bill for 1974-75, the central government has decided to allocate an amount of only Rs 1,200 crores as against the request of the ministry of Petroleum and Chemicals for a minimum of Rs 1,300 crores. Even this allocation will result in an increase of nearly Rs 700 crores as compared to the expenditure incurred on imports of crude and petroleum products in 1973-74. In the previous year (1972-73) the amount involved was not more than Rs 200 crores. It will thus be seen that in two years there has been a rise of six times in the oil bill and the extra quantum of imports has been only about 20 per cent. On the basis of the latest decisions, it will not be possible to increase the quantum of crude imports, not to speak of augmenting supplies of petroleum products in deficit. It has, therefore, been indicated that aggregate imports of crude in the current financial year may not be more than 12 million tonnes against a little over 13 million tonnes in 1973-74 while there are no indications about what will be done in respect of petroleum products in short supply.

With indigenous production of crude likely to be around eight million tonnes in 1974-75, it will be difficult for the coast-based and inland refineries to utilise their capacity fully. In the 12 months ended December 31, 1973, the throughput of all refineries was about 21.5 million tonnes and taking into account net imports of petroleum products of 2½ million tonnes roughly, aggregate availability was in the region of 24 million tonnes. It would have been normally expected that the government would have provided for some increase in the demand for diesel oil, kerosene and furance oil particularly when finalishing arragements for importing crude and petroleum products from different sources. The authorities, however, have been seriously exercised over the deterioration that would take place in the balance of trade if unrestricted imports of crude and refined products and other items were permitted.

While the anxiety to minimise foreign exchange expenditure on oil is understandable, it should not be overlooked that any serious miscalculation in regard to the availability of particular petroleum products can have a violent upsetting effect on the production plans of some industries. The government should have permitted imports of crude and petroleum products on a scale which would have allowed at least for a growth in consumption by five per cent, if not eight per cent. On this basis, total availability should have been in the region of 25.20 million tonnes while the throughput of the refineries and imports of refined products may not amount to more than 22-23 million tonnes. It is likely, therefore, that there will be a gap of over two million tonnes particularly in respect of kerosene and furnace oil which are seriously in deficit.

The requirements of fertilizer units

in terms of naphtha may of course be fully provided as sizable exports have been effected in the past year and are now even being continued because of the inability of the fertilizer plants, too, to utilise their capacity fully. There may be a larger demand for this light distillate in the coming months with the commissioning of a giant fertilizer unit at Tuticorin in Tamil Nadu and the completion of expansion schemes of some existing units and the commissioning of new petrochemical plants.

The ministry of Petroleum and Chemicals is obviously hoping to overcome the deficits in particular directions with a suitable change in the pattern of production. Thus, with the discouragement of the consumption of motor spirit through higher prices, naphtha supplies have increased substantially and it is not anticipated that there will be any net reduction in the output of this distillate even with a drop in aggregate throughput by five per cent. This is because with a reduction in the share of motor spirit in total production, naphtha output has risen by more than 25 per cent. There may not, therefore, be any difficulty in meeting the reqirements of the fertilizer plants and petrochemical units.

The position in regard to diesel oil, kerosene and furnace oil is, however, vastly different. These fractions may easily account for 60 per cent of total production which will give a crude equivalent of over 13 million tonnes on the basis of the experience of 1973. There is no reason to believe that there will be any slowing down of the growth in consumption of these products even with an increase in selling prices. For, the inability of the Railways to handle a larger volume of freights and passenger traffic, an increase in the activities of road transport operators, continued power shortage, calling for the use of diesel oil in sizable quantities for running pumpsets and the difficulties in using coal in place of furnace oil have all been responsible for an increase in demand rather than a net reduction in offtake. It will, therefore, be necessary to import additionally at least one million tonnes if not more to prevent an awkward situation from emerging.

In view the latest indications that there may not be any difficulty in arranging for crude imports, the government is probably under the impression that the throughput of refineries can be increased at short notice if need arose. There are already reports about surplus oil being available in particular regions at even lower prices while large tankers are not having the required cargo and there has been a sharp break in freight rates in recent weeks. There is also no difficulty in financing imports because the International Monetary Fund will be prepared to provide special credit while Iran has already promised to extend sizable credit on favourable terms.

As no serious difficulty was experienced in 1973-74 in meeting the oil bill and the trade deficit could be bridged with fresh aid and that in the pipeline, only the excess of about Rs 650 crores over the bill of 1973-74 has to be financed with additional foreign exchange earnings through exports or other means.

There will undeniably an increase in imports to even Rs 3,200 crores as the government is thinking of importing sizable quantities of foodgrains, fertilizers and others items. But a gap of Rs 400 crores in an exceptional year cannot be regarded as tragic especially as there are indications that there may be a decline in the cost of imports in the coming months with the emergence of recessionary trends in many developed counries.

It is, therefore, necessary to have a open mind so that the required adjustments in operations of refineries can be effected without delay. It would even be advisable to arrange for imports of an extra 1.5 million tonnes of crude as the outlay will not be more than Rs 150 crores including freight charges. Even this quantity will result only in a slightly higher throughput than that achieved in 1974-75 while refining capacity would have increased by more than 3.5 million tonnes. This will be the first year in which there will be sizable idle refining capacity because of the decision to restrict imports of crude. It has even been suggested by experts that it would be preferable to use fully the refining capacity and export surplus products as the foreign-owned refineries have got the desired marketing arrangements.

In view of the latest reports that indigenous production of crude can be increased substantially and the exploration efforts in off-shore areas may prove rewarding, it will be penny wise and pound foolish if the problems of a difficult year were not properly understood. A shortage of specific petroleum products can have a serious upsetting effect on production plans of many industrial units and call for imports of avoidable items. In the final analysis, it may be found that a hasty attempt to restrict essential imports is frustrating government's plans to boost exports and restrict imports.

More of cost-push

THE NEW tax proposals presented to the Lok Sabha by the Finance minister, Mr Y.B. Chavan, on July 31, 1974, are expected to yield Rs 232 crores in a full year and Rs 136 crores in the remaining part the current financial year. The share of of excise duties is predominant as no less than Rs 111 crores are to be raised through them. It may be recalled that additional taxation of the order of Rs 212 crores had been levied in the main budget this year. The increase in excise duties then effected was about Rs 192 crores. The estimated total additional yield from excise levies during the current year will thus be Rs 303 crores or more than 10 per cent over and above the estimated receipts at existing levels of taxation on the eve of the current budget year.

Some of the products, which have now attracted additional excise levies, had caught the fancy of the Finance minister in February as well. Included in this list are cigarettes, plastics, rubber products, paper, rayon and synthetic fibre and yarn, cotton yarn, cotton fabrics, cement, iron and steel and products thereof (see table on p. 335).

Ever since Independence, Finance ministers have tended to rely increasingly

additional central excise levies for ing tax revenues. In 1948-49, the se revenue as a percentage of total revenue was 13 per cent only but it to 45 per cent in 1960-61 and is ex- ted to rise to 56 per cent in the cur- year. Invariably, this excise burden passed on to the consumer and there o doubt that the new imposts also be borne by the consumer.

The increase in excise duty on cement n 25 per cent to 30 per cent *ad valorem* l the consequential increase in auxi- y duty is expected to yield an addi- nal revenue of Rs 19.58 crores during current year. In the main budget, nent had attracted auxiliary duty at 10 cent of the effective basic duty with ected yield of the order of Rs 6.40 res. In the current year, the total idence of additional excise levies is ected to be Rs 25.98 crores. While ommending the new burden on cement, Finance minister made a reference to e general scarcity of cement and the dfall gains being reaped by the dea- s.

The question here is whether there ny guarantee that this tax would not passed on in full by the dealer to the nsumer because the shortage of cement expected to increase in the next few rs instead of declining. It may be ted here that the Task Force for the nent industry has estimated that the nand for cement in 1973 would be 19 llion tonnes against production of million tonnes. Since the output of nent in 1973 was no more than 15 mil- n tonnes, the gap between demand d supply had widened to four million nes. With such a severe shortage of nent in the country it would be naive the part of the Finance ministry to ume that the dealer would have any fficulty in passing on the full burden the consumer.

The consumption pattern of cement ring the past decade had disclosed that out half of this country's production s earmarked for the public sector. follows that the latest impost would shared equally between the private and blic sectors. In other words, the gov- nment has taxed itself or its under- kings up to 50 per cent of the new levy.

The excise levy on cement has risen sharply during the past two decades. Revenue from excise duties on cement rose from Rs 2.21 crores in 1954-55 to Rs 18.45 crores in 1960-61, to Rs 30.73 crores in 1965-66, and to Rs 44.07 crores in 1970-71. During the current year, the total yield from excise levies on cement is expected to be around Rs 90 crores. Assuming that the output of cement will be about 16 million tonnes during 1974-75, the incidence of excise duty will work out to be Rs 56 per tonne against the ex-factory price of Rs 131 per tonne recently fixed by the government. The consumer will have to bear in addition the sales tax, the freight charges, the selling expenses (including the selling agency commission) and the packing charges. The excise burden in the case of cement has thus risen to more than 40 per cent of the ex-factory price. Out of a total excise levy of Rs 56 a tonne, as many as Rs 16 were added this year.

The output of iron and steel in this country has been significantly below demand for the past few years and this has resulted in a high premium on free market sales. The target of production for 1973-74 was fixed at 5.44 million tonnes but it was scaled down to 5.19 million tonnes for the current year. The installed capacity of steel plants including mini-steel plants at 6.7 million tonnes has not been fully exploited because of the power and transport bottlenecks and the poor employer-employee relations in some plants particularly the Durgapur steel plant. Recently, a new committee of the union cabinet has been set up by the Prime Minister, Mrs Indira Gandhi, to keep a close watch on the implementation of development programmes relating to steel and mines. This committee is headed by the Steel and Mines minister, Mr K.D. Malaviya. The other members of the committee are : Mr T. A. Pai, minister for Heavy Industry, Mr L. N. Mishra, minister for Railways, and Mr K. C. Pant, minister for Irrigation and Power. Efforts are being made by the central

Central Excises

(Rs lakhs)

	Estimated additional revenue					
	Tax proposals of July 31, 1974 (For 8 months)			Budget for 1974-75 presented to Parliament on February 28, 1974		
	Basic	Auxiliary	Total	Basic	Auxiliary	Total
Cigarettes	1000	96	1096	—	1720	1720
Paints and varnishes	—	120	120	—	—	—
Plastics, all sorts	—	600	600	80	776	856
Tyres	586	—	586	—	—	—
Rubber products	40	8	48	—	280	280
Paper	—	880	880	1000	—	1000
Rayon and synthetic fibres and yarn	758	—	758	1074	—	1074
Cotton yarn	646	—	646	1419	—	1419
Cotton fabrics	—	400	400	786	—	786
Cement	1780	178	1958	—	640	640
Asbestos cement products	140	—	140	—	—	—
Iron in any crude form	214	—	214	160	—	160
Steel ingots	—	140	140	150	112	262
Copper and copper alloys	320	240	560	—	—	—
Iron or steel products	—	1624	1624	410	308	718
Zinc	194	144	338	—	—	—
Tin plates	—	27	27	—	—	—
Electric lighting bulbs and tubes	142	—	142	—	—	—
Caprolactam and DMT	826	—	826	—	—	—

minister of Steel and Mines, Mr K. D. Malaviya, to resolve the transport bottleneck by constant consultation with the Railway minister, Mr L. N. Mishra.

The Finance minister has raised the auxiliary duty on steel ingots and iron and steel products from 75 per cent to 100 per cent of the effective duty. The total impact of the new imposts on iron (in any crude form), steel ingots and iron and steel products in the current year is estimated to be around Rs 19.78 crores. In the regular budget, iron and steel had attracted additional levies equivalent to Rs 11.40 crores. It means that the total additional burden on iron and steel during the current year will be equivalent to Rs 31.18 crores or a little more than Rs 60 a tonne. While the manufacturers will pass on this burden to the consumers, it remains to be seen if the free market prices are also increased proportionately. Much will depend upon the performance of the new committee mentioned above. However, post-budget reports from the markets indicate that the demand for steel for buildings in the private sector has not slackened.

Notwithstanding the increased free prices of iron and steel and cement, the construction activity has shown no signs of slackening presumably because investment in coustruction even at enhanced prices of iron and steel and cement is considered to be as a hedge against inflation. Moreover, iron and steel being intermediate products, their inflated prices have raised the cost of manufacture of a number of finished goods. The consumer resistance to increased prices of some finished goods may be witnessed for a short while but ultimately the burden will be passed on to the consumer in full. In the case of industrial buildings, the inflated costs of cement and iron and steel will push up the capital costs of projects leading to enhanced prices of manufactured goods.

Besides iron and steel, copper and copper alloys, zinc and tin plates have also attracted basic excise duties totalling Rs 9.25 crores in the remaining part of the current year. The increased cost of tin plates has already been reflected in the enhanced prices of tin containers. Since indigenous production of copper is only one-seventh of the total consumption of this metal (the balance being imports from abroad), the impact of the new imposts on finished products made of copper and its alloys may not be very high. Bulk of the supplies of this metal are received by the manufacturers from the imports made by the Minerals and Metals Trading Corporation. In recent months, there has been a fall in copper prices due to the decline in world prices, and hence the prices of products made from copper and copper alloys may not show any increase.

In the budget proposals presented in February 1974, the total auxiliary duty imposed on paper was Rs 53 lakhs only. Since then there has been a sharp rise in paper prices. The Finance minister has proposed auxiliary duty on paper so as to net Rs 8.80 crores in the current year. Immediately after the imposition of this levy rules were framed by the ministry of Industrial Development in regard to the production as well as distribution of different categories of paper. The supply of white printing paper widely needed for the printing of text books and exercise books has suffered because of diversion to newspapers.. The government now proposes to restrict the use of white printing paper for text books and exercise books only.

The new imposts on paper during the current year work out to about Rs 200 a tonne. It is a foregone conclusion that the manufacturers will pass on this burden to the consumer. The dealer will also not fail to take advantage of the shortages of paper in the market though his premium may be somewhat reduced.

The Finance minister raised both basic and auxiliary excise duties on cigarettes so as to secure an additional amount of Rs 10.96 crores. In February 1974 auxiliary duties on cigarettes had been increased by Rs 17.20 crores. The additional taxation during the current year will be equivalent to Rs 28.16 crores. Surely cigarettes do not fall in the category of necessities of life and the additional revenue which will be raised through increased excise duties on them is welcome.

Besides cotton fibres and cotton yarn, excise duties have been raised in the ca of rayon and synthetic fibres and yar The Finance minister has imposed fresh burden of Rs 6.46 crores by way excise duties on cotton yarn used b power looms for the production of mediu fine and superfine cloth. Ostensibly th additional tax has been imposed to pena lise those sections of society which ca afford to buy better quality cloth Through this, the Finance minister ha taxed certain families among the lowe income brackets also who are tradition ally accostomed to the use of mediun and fine varieties of cloth.

No tears may be shed for the new duty on caprolactam and DMT whic will secure Rs 8.26 crores for the Financ minister during the current year. Th synthetic yarns produced from these tw intermediate products are used for fabric meant for relatively better off sections o society. The additional impost on rayon however, is not fully justified becaus some families in the lower income brac kets make use of fabrics made of it o special occasions.

The taxation policy of the Financ ministry in regard to cotton, rayon an synthetic fibres and yarn is based on th erroneous assumption that the coars varieties of cloth are used by the poo sections of society only while families i the upper income groups go in for rayo and nylon fabrics. It needs to be stres sed that the well-off sections of society also make use of coarse varieties fo various purposes just as families in th lower income brackets use rayon fabric on special occasions. If a survey, suffi ciently detailed, were to be conducted o the consumption pattern of cloth by in come brackets in this country then thi pet theory of the ministry of Finance ma crumble to pieces.

There is no doubt that the new impost on most of the products discussed abov are being passed on to the consumers Wherever consumer resistance has develop ed, the dealers' premium may be reduce for a short while. If, however, the supply position does not improve in respect o these products, the sellers' market will b able to assert or reassert its sway.

PROGRESS IS SHAPED BY THE WAY YOU LOOK AT THINGS

Like the level of competence at which you conduct your manufacturing operations.

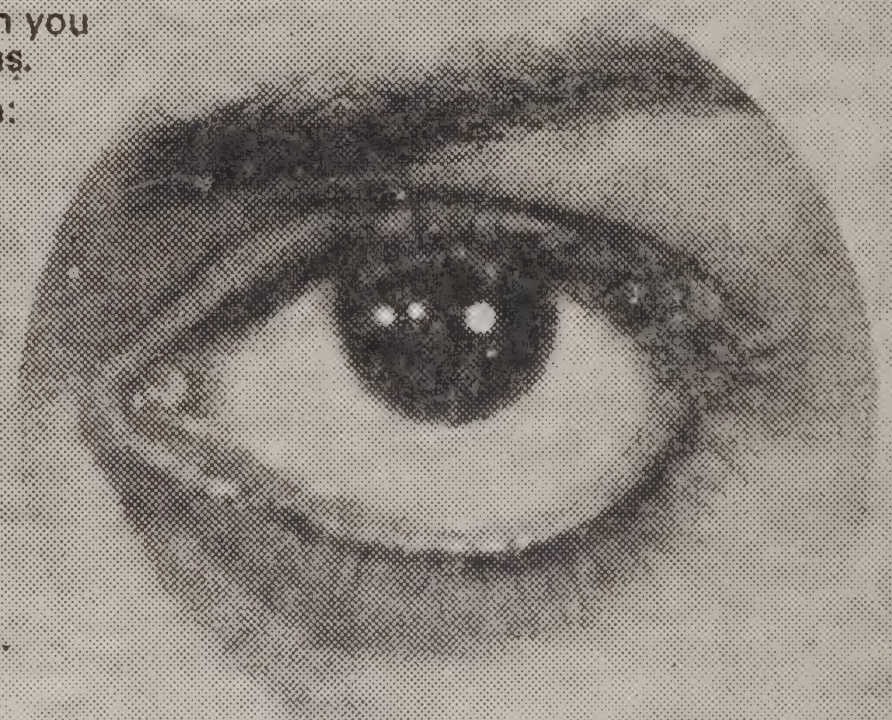
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FROM THE CAPITAL' CORRIDOR

R. C. Ummat

Anti-Inflationary Package • Exports Outlook • Steel Prices • Take-over of Oil Companies • Credit to Farmers.

CONTRARY TO the general impression that some more measures of the anti-inflationery package might be unfolded in the near future, inquiries reveal that the government would wait for some time to see the impact of the measures already taken before going in for further steps.

Any substantial incentives for production too are ruled out for the time being. Instead, it is pointed out, efforts have to be made to augment the supplies of essential raw materials and industrial intermediates.

intermediate products

It is well appreciated that while the development of the core sector industries has to be fostered from the long-term point of view, the supplies of scarce raw materials and intermediates in the short term can be stepped up either through a better utilisation of the existing capacities or through imports.

It is proposed to realistically assess the requirements of power for the core sector industries so that this major bottleneck in the way of better utilisation of their existing capacities can be effectively tackled.

The disclosure of the Commerce Secretary that our exports during the first quarter of the current financial year showed a rise of 40 per cent, compared to the exports in the corresponding period last year, has encouraged thinking that it might be possible to, earmark somewhat larger quantities of foreign exchange for importing industrial intermediates. Larger imports may also be possible in view of the higher assistance pledged by the Aid-India Consortium this year and also as a result of the efforts being made to secure some aid from the Soviet Union for the import of industrial intermediates and spares. Exploratory talks in this regard are said to have been held recently.

Meanwhile, the union minister for Finance, Mr Y. B. Chavan, confirmed that his ministry has received a suggestion for the imposition of an employment tax or an employment surcharge for raising additional resources for economic development. This suggestion, along with such other proposals, he has however pointed out can be considered only at the time of framing the annual budget.

* *

The 40 per cent increase in exports during the first three months of the current financial year — from Rs 460 crores during this period last year to Rs 643 crores — has given rise to a feeling in the ministry of Commerce that the expectation of export earnings this year exceeding Rs 2,600 crores will materialise.

The spurt in exports during the April-June period is understood to have been caused not only by a sharp increase in sugar exports but also by higher realisations from the shipments of such products as tea, coffee, iron ore, etc.

Sugar exports this year are expected to earn as much as Rs 300 crores, the quantity to be exported being 500,000 tonne Already exports worth Rs 160 crores ha taken place. It is, however, not yet cle how much of the proposed aggregate e ports will be out of the next season production. Originally the proposed e ports were to be made out of the last se son's output. But some rethinking said to be going on in this regard due the last season's production falling sho of expectation by about 150,000 tonnes

sugar exports

The spurt in sugar exports, it is lear will boost the export earnings of t State Trading Corporation tremendousl According to the STC chairman, the e ports of this public sector undertaking th year around Rs 450 crores may be near double the last year's figure. The expo earnings of STC are also expected to r ceive a fillip by the high world prices such products as paraffin wax, coffe basmati rice, etc.

Meanwhile, with a view to helping e ports of cotton textiles, the ministry Commerce is considering a proposal t make available imported superior cotto at international prices to the mills produ ing cloth essentially for export pu poses. An indication of this was given b the minister of Commerce, Prof. D. Chattopadhyaya at this Monday's meetin of the Parliament's Consultative Comm ttee attached to his ministry.

The scheme envisages release of impo ted cotton by the Cotton Corporation India at international prices to the mil producing cloth essentially for expor The corporation would be reimburse either fully or a substantial portion of th import duty paid by it on this cotton i the form of duty drawback.

The Minerals and Metals Trading Co

oration is understood to be hopeful of ecuring an esclation in the prices of Baila-ila iron ore committed to Japan under ne long-term contract. The Japanese im-orters are said to have agreed to the pro-osal of MMTC to discuss the issue. The iiscussions are expected to take place in 'okyo soon.

The French are said to have shown nterest in assisting cultivation of oilseeds n this country which will not only step p the production of edible oils for omestic use but also enable them to mport sizeable quantities of oilcakes eeded in France as cattle feed. This roposal is likely to be discussed at a neeting with a French delegation expec-ed here shortly under the Indo-French Economic Cooperation Agreement.

* *

A tussle is understood to be going on between the ministry of Steel and Mines and the ministsy of Heavy Industry over the proposal of the Steel Authority of India (SAIL) to step up steel prices. This move has been made by SAIL not only in view of the fact that the prices of Indian steel are among the lowest in the world but also because the integrated steelworks have to be compensated for their mounting production costs and economies have to be effected in the use of steel. It is further felt that a raise in steel prices will help in establishing a better relationship between demand and supply which will lead to elimination of unaccounted deals in this material.

The main argument of the ministry of Heavy Industry, which is understood to be supported also by the other economic ministries in charge of some major public sector projects, is that no doubt the stepping up of steel prices would help in improving the profitability of steel plants, it would have a very adverse effect on their production costs. In regard to curbing of consumption of steel, it is pointed out, the major consumers are already making strenous efforts to obviate all wastages in their production programmes.

Another aspect that, according to the major consumers of steel, needs to be thoroughly examined is the impact which the stepping up of steel prices will have on the inflationary situation in the country. It is stressed that the rise in steel prices will undoubtedly have far-reaching repercussions in the form of cost-push inflation.

In view of the above, an early decision on the proposal of SAIL, which envisages substantial increases in the prices of various categories of steel, cannot be expected soon.

* *

Having acquired 74 per cent equity of Esso Standard through bilateral talks, the union government believes that it would be able to take over both Burmah-Shell and Caltex also through negotiations, even though there are three other alternatives open to it for bringing these two oil companies in the private sector under effective government control. These alternatives are: (i) abrogation of refinery agreements; (ii) compulsory acquisition of majority share in the two companies; and (iii) nationalisation.

Negoitations with Caltex are proposed to be started after the talks with Burmah-Shell make some progress. No time limit has yet been set for acquiring controlling interest in the two companies. It is, however, understood that the negotiations with Burmah-Shell will be expedited in the near future. Burmah-Shall has been asked to make available to the ministry of Petroleum and Chemicals several details pertaining to its assets so that a realistic valuation can be made of its operations in the country. A fair valuation will be determined on the basis of these details and not on the basis of the balance-sheet and printed accounts of the company.

Under the refinery agreement with Burmah-Shell, the 25-year period after which a nationalisation can be resorted to expires in 1980. In the case of Caltex this period ends in 1982. The two companies were originally licensed to process two million and 0.65 million tonnes of crude oil annually. At present, they are running to a capacity of 3.75 million and 1.25 million tonnes, respectively.

* *

The State Bank of India group proposes to open 158 special branches at selected centres in the country to foster agricultural development. These branches will primarily cater for the credit requirements of the small and marginal farmers as well as agricultural labourers. It is felt that this step will considerably augment credit supplies from the public sector banks to vulnerable sections of the farming community.

Already several steps have been taken by the public sector banks to assist small and marginal farmers. These include:

(i) grant of loans without asking for security—these loans are made available on the basis of incremental income and production potential;

(ii) liberalisation of the credit guarantee scheme to cover short-term credits to farmers from Rs 1,000 to Rs 2,500 and term credits from Rs 5,000 to Rs 10,000—short-term credits converted into medium term eredits on account of floods, drought, etc., are covered upto Rs 5,000; and

(iii) grant of group guaranteed loans to small farmers and share croppers.

The interest on loans to small and marginal farmers as well as agricultural labourers is being kept low under the scheme of differential interest rates. The legal charges in regard to these loans are are also met by the banks themselves.

Eastern Economist 30 Years Ago

August 25, 1944

Will inflatonary or deflationary forces be at work immediately after the war? If the experience of the last war is any guide, the prevention of an extravagant inflation such as occurred after 1918 would be the most urgent and pressing problem. At present in British and U.S.A. inflationary forces have been kept in suspense and their effects masked at least by various restrictions and controls. Through price controls and rationing of supplies the people have been restrained from an orgy of expenditure as they cannot find objects to spend their money on. Savings have accumulated in the form of loose money which, being destined to be spent as soon as opportunity offers, is withheld from investment in any permaneht form. But when the restrictions upon imports and production are released idle money will exert a powerful pressure to push up prices. It may be difficult to make a control of prices effective in the face of the demand unless the Government continue to take strong measures so as to prevent inflation. Apart from fiscal measures of continuing taxation at high levels until production catches up demand, borrowing programme should be continued with vigour.

Road transportation : status and problems

Kailash C. Sahu and
Damodar Acharya

TRANSPORTATION CAN be conceived as the nervous system of and primary input to any economy, developed or developing, and its growth significantly influences the economic as well as the social development of a region. Accessibility and mobility are the essential features of transportation. Wilfred Owen[17] has highlighted the inverse relationship between the social mobility and poverty. The closer an economy and society are to subsistence levels, the greater is the immobility. Modern transportation development programme is (i) multidimensional: international, inter-regional, intra-regional and local; and (ii) Multi-modol: air, rail, road, shipping etc., and an integrated approach is needed for its development keeping in view the needs of the society at large.

Transport development programmes, generally rank very high in magnitude among the various items in the investment plan of an economy, however with considerable variation in the percentage of gross fixed investment, depending on the overall level of economic development. Waters[6] has observed that transportation accounts for roughly 20 per cent of the gross national product in a developed economy.

In India, the responsibility of developing adequate transportation facility to cater for the needs of 550 million people spread over 3.27 million square kilometres, is gignatic. Our level of investment for transport development and the volume of traffic carried seem to be impressive but when we compare it with international standards and note the inadequacy and inefficiency of the existing facilities, we realise the magnitude of the task ahead in transport development. Table I gives an idea of the investment in the transportation sector made during the various plan periods, Table II gives the contribution of transportation to the national income, Table III gives a comparison with some other countries and Table IV a percentage of gross fixed investment allotted to transport and communications in 45 countries.

When we compare our position with the

Many figures in this article, hence related conclusions, refer to the pre-energy crisis period. With the oil price hike, they may need modifications. But the authors believe that the main conclusions will be relatively unaffected, sometimes will be strengthened, after such adjustments.

TABLE I
Plan Outlays
(Source 2)

(in crores of rupees)

	1st Plan	2nd Plan	3rd Plan	4th Plan
Public Sector:				
Transport & communication (1)	518	1261	2112	3237
Total outlay (2).	1960	4672	8573	15902
(I) as % of (2)	26	27	24	24
Private Sector:				
Transportation & communication (3)	—	135	250	920
Total outlay (4).	—	3300	4300	8980
(3) as % of (4)	—	4	6	10
Sectorwise Allocations				
Railways	85.5	860.1	1326	1050
Road & Road transport	146.8	241.8	567	963
Ports	27.6	33.4	93	195
Shipping	18.7	47.7	40	141
Inland Water Transport	1.9	4.2	4	12
Civil Air Transport.	23.2	49	49	203
Road Transport (public).	12.0	21.00	26.0	54

TABLE II
Roads' Contribution to National Income (1969-70)
(Source 13 & 16)

Modes	Route length Kms	Passenger Kms	Ton Kms	Hrs flown	Kms flown	Passenger	GRT
Rail	59,000	10700×10^6	120000×10^6	—	—	—	—
Road	325,000 (surfaced)	98000×10^6	$40,000 \times 10^6$	..	..	..	..
Air	—	—	—	109300	39.4×10^6	2.0518×10^6	..
Inland water	18,973	..	..	..	..	..	..
Sea transport	..	..	..	..	..	..	330 (coastal) 1810000

Private sector contribution Rs 417.2 crores. Total contribution from transport sector—Rs 1237 crores.

nternational standard we realise the mam-oth task of transport planning and de-elopment in our country. From this it an be concluded that perhaps Wilfred wen[17] is right when calculating mobi-ty indices he accords India freight mobi-ty index 10 and passenger mobility index 1.5 only, whereas the corresponding gures in Japan and the USA are 305, 0.3 and 189, 147.2 respectively.

TABLE IV

ercentage of Gross Fixed Investment llotted to Transport & Communications 45 Countries, 1964-65 (Source: 3, 7)

er Capita Income	No. of countries	% range of Gross Fixed Investment	Average
ver 500	15	13–36	19
00—500	8	14—22	19
00—200	7	4—26	15
elow 100.	5	16—50	27
cialist countries	10	7—16	12

From Table IV, it is obvious that the nare of transport investment as a per-ntage of gross fixed investment is more in country with less per capita income. In her words, it can be said that the im-ortance of transportation is more in an nderdeveloped economy.

The investment and growth pattern fferences exhibited from the available atistics is still more disappointing. This lls for a system approach to the growth nd development of the transportation ctor as a whole (with its inter-regional nd inter-modal dimension) *vis-a-vis* the development of the other sectors of the economy.

Air and inland water transport are yet to create a significant impact on the transportation system of India. The role of shipping is primarily limited to the overseas trade. The bulk of transport load is shared by the railways and the road transport. Railways have given way to the road transport and are in doldrums in many countries of the world. In India, the trend in the growth and more particularly the output mix for the road transport and railways is changing, sometimes complimenting and often in competition. The railways have given way to road transport in carrying high valued commodities and short distance passanger traffic. From the trend and the very nature of our country it seems that the supremacy of railway will be maintained in long distance passenger traffic and bulk carriage of 'low' value commodities such as iron ore, cement, foodgrains etc. Any meaningful study of road as well as road transport facility will have to be *vis-a-vis* the railway transport.

In spite of a three-fold increase in road length in the last 25 years, our road development comes nowhere near that of the developed and some developing country. We have just about 12 km of surfaced road per 100 sq. km of area against 50.9 km in Sri Lanka, 137.1 km in France, 140.41 km in West Germany, 142.45 km in the UK and 267.63 km in Japan. Only one km out of every three km of our roads can be described as dependable all-weather lines of communication. Of the remaining, half are fair-weather and unmotorable. The quality as well as the maintenance of our highways are unsatisfactory. The share of total traffic carried by road is increasing at a rapid rate and at present our arterial roads which amounts to seven per cent of our roads carry 35 per cent of the total traffic, requiring immediate widening. Studies made by RBI and the World Bank team in the eastern region have all pointed to the major lag in the development of roads.

villages lack access

Nearly thirty per cent of our 566,000 villages do not have any access road. The very success of important programmes like the green revolution, family planning, education and medical facility extension very much depend on the rural roads and road transport development. This is also important to strengthen the interdependence of rural and urban population and to provide the rural population with a proper share of our economic and social benefits. Mr V. V. Giri in his book "Jobs for Our Millions', has pointed out the potentiailty of rural roads and road transprt programme. He says that "Apart from direct employmentpotential of a vast road building programme, the rural areas if opened up, will undergo transformation in their economy. The cost of such a programme is worth meeting even by deficit financing to the extent of half to one per cent of National Income". The Keskar committee has observed that a better road system could reduce the annual operating cost by Rs 160 crores and also would result in a better return from our investment in other sectors of our economy.

The conditions in our rail transportation system are no different. Of course the growth and the content of the rail transport in last two decades has undergone several conspicuous changes. The passenger traffic in railways has registered growth of 1.6 per cent in the 1950's, 4.3 per cent in the 1960's and an average of 2.9 per cent, from 1950-70 compared to the growth figures of 9.4 per cent and 8.4 per cent respectively in road transport. Road traffic as a percentage of total passenger traffic increased from 25.8 per cent in 1950-51 to 49.6 per cent in 1970-71 and is estimated to be 60 per cent by 1980. Railways accounted for 88.9 per cent of all goods traffic in 1950-51 and 72.7 per cent in 1970-71 where as the share of road transport in the same period has gone up from 11.1 per cent to 27.3 per cent[15].

No doubt there have been shifts in the relative emphasis on road transport in

TABLE III

Transportation: Comparison between India and Some Developed Nations (Source 16: Population in 1967)

	India.	Per lakh of population.	USA Total	Per lakh of pupulation.	Japan Total	Per lakh of population.
Rail route Kms	59563	11.15	376956	191	20834	20.81
Road length in Kms	925130	173	5962492	3022	99702	1001
Air-Kms flown (in millions)	56	.0105	2951	.149	120	.121
Merchant shipping (GRT)	2402	.381	18463	2.35	27004	27.01

terms of its increasing share of the total outlay as shown in Tables V and VI.

However our growth both in roads and road transport is nowhere near the developed countries and also less then that in many developing countries. Table VII demonstrates this fact.

The miserable condition of both roads and road transport is attributed to a number of factors; some of which are given below.

Although the investment in terms of total money spent on the transportation sector has increased in the last two decades, a huge chunk of it is in the private sector. However, the net investment in the road development programme as a percentage of the total public sector investment has decreased from 8.7 in the first Plan to 5.5 in fourth Plan which is expected to be reduced further to 4.5 per cent in the fifth Plan period.

wanted: integrated programme

Lack of an integrated transportation development programme continues to divert the lion's share of the investments in transport and communication to other modes such as railways in spite of the fact that its share of the total traffic carried (both goods and passenger) is decreasing, thereby overburdening the alternative mode, namely road transport.

Diversion of funds from the revenues obtained from roads and road transport is another major factor restricting their growth. Revenue from road transport has increased more than 15 times in the last 25 years, i.e. from Rs 220.49 crores in the first Plan to the tune of Rs 3,500 crore in the fourth Plan period. Table VIII shows the contrast.

From Table VIII it is observed that although the expenditure in total is increasing yet greater road revenue is being diverted.

Road transport has been practically neglected as can be seen from the pattern of public sector investment in 25 years in Table I. Even the investment in civil air transport, which caters for the demand of a negligible percentage of our total population has got larger share than road transport, a transportation system basically for the common man.

Restrictive regulations, redundant administrative procedures in licensing vehicles and also a high level of tax are some of the factors which hinder the growth of road transport. The Motor Vehicle Act of 1939, designed to protect the interests of the British rulers and the railways is of little value today. As far as the inter-state transport is concerned, each state wants to have a tax income from road transport which has made the implementation of 1956 Motor Vehicle Amendment Act impossible. Tardy permit procedures and other regulations involved have made 83 per cent of our road transport operators to own only one vehicle each and have denied the operators the economies of scale and the optimum use of vehicles. Therefore, the entire vehicle fleet of the nation is highly underutilised.

Rail-road coordination seems to be another bottleneck in the development and growth of both. The Committee on Transport Policy and Co-ordination, 1959, studied the question of transport integration and coordination and was of the view that the area of conflict between different modes was by no means considerable and such conflicts could be eliminated by a system of planning based on assessment, needs and cost. However recently Khosal[11] has pointed out that the railways can not achieve the economies of scale if it operates in haul lines up to 300 kms; whereas road transport can. Hence, it is of utmost importance from the national point of view of minimization of total transport and distribution cost to look into the coordination problem in more detail.

Apart from the above facts, the other factors worth mentioning are more general ones chronic to the growth of transport in our country. These factors have been

TABLE V

Outlays on Railways and Road Transport

(Source: 10)

Mode	Third Plan 1961-66	%	Annaul Plan 1966-69	%	Fourth Plan 1969-74	%
1. Outlay (millions of rupees)	21540	100.0	11190	100	29080	100.0
(a) Railway	13250	61.6	5090	45.5	10500	36.1
(b) Road & road transport (including private sector)	8280	38.4	6100	54.5	18580	63.9
2. Expenditure on road building. (% of public sector investment)	65%	—	—	—	5.5%	—
3. Expenditure on road transportation development (public sector) .	260	—	540	—	—	—

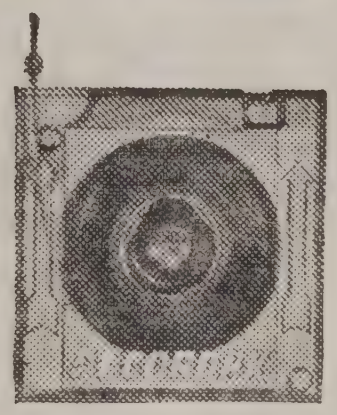
TABLE VI

Growth of Roads & Road Transport

(compiled from source 12, 13 & 16)

Year	Surfaced road (Kms)	Total road (Kms)	Buses (nos)	Trucks (nos)	Passenger cars and Jeeps (nos)	Total
1947	145,855	388,226	—	—	—	—
1950-51	157,019	399,942	34,411	81,888	147,712	306,313
1955-56	208,796	538,178	46,461	119,097	187,866	425,560
1960-61	262,746	725,173	56,752	167,649	287,913	684,475
1965-66	339,374	1058,066	73,175	268,977	420,096	1099,043
1968-69	386,748	1170,729	86,570	306,802	509,489	1458,583
1972 (Approx)	430,000	1254,000	—	—	—	—

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mmarised by Dr Subramanian[13] in s excellent paper on the following main sues (i) Planning, (ii) Operation, (iii) Or- nization, (iv) Policy, and (v) Concept.

In spite of the scarcity of the capital id its allocation to various sectors of velopment based on marginal cost, the ad and road transport development can ve its due share if planning for trans- rtation is done on rational lines. By tional planning we mean the resource location and implementation of the pro- amme among various sectors and among rious regions in the same sectors, taking e minimization of total national econo- ic as well as the social cost of transpor- tion, as the objective.

III

There has been a boom in the growth passenger transportation by road in st two decades. This mode has regis- red an average growth of 8.4 per cent. terms of the total passengers carried its are has increased to 49.8 per cent in 69-70 from 25.6 per cent in 1950-51. ne total number of buses plying through- ut the country has increased to 95,000 in 1969-70 from corresponding figure of 34,441 in 1950-51; during the same period the number of vehicles (including motor-cycles trucks, cars and jeeps, etc.) has increased to about 15,00,000 from 300,000. We will however limit our discussion to the bulk passenger carriers, more precisely only to passenger transportation by bus only.

In 1969-70, we had about 35,193 buses running by public sector undertakings and the rest by the private sector. We had about 46 nationalised undertakings which include 16 state road transport corporations, 12 departmental enterprises, 14 municipal services and four companies registered under the Companies Act of 1956. These undertakings in the year 1968-69 carried approximately 4659 million passengers. The degree of nationalization also varies from state to state with the maximum in Gujarat (nearly 100 per cent) to minimum in Assam about 17 per cent. Since very little information is available about the unorganised private sector bus transportation, we will further limit ourselves to only organized public sector undertakings.

Despite the fact that passenger transport by buses has registered an impressive growth rate in the last two decades, many factors come in the way of its growth. Perhaps a lot more could have been expected in the absence of these serious dragging factors. Some of these factors are given below.

Unsatisfactory road condition seems to be the main bottleneck. A study carried out by the Maharashtra State Road Transport Corporation showed that the cost of operation per km of a cement concrete road was 60.8 paise, on black top road 75.2 paise, on a kutcha road 100 paise and an Macadum road it was 122.9 paise.

Again only one out of every three kms of road in our country is dependable all weather road. Unfortunately most of the good surfaced roads in our country run parallel to the railways. This has resulted in:

(a) a large number of our total buses running on good surfaced road parallel to railway networks, thereby decreasing the traffic in railway. Also too much of competition among themselves (buses) on

TABLE VII

Road and Road Transport Development in Selected Countries (compiled from sources 12, 13, & 16)

	India.	USA	Austria	Philippines	Canada	Japan	Mexico
No of motor vehicles (1967)	11,87,434	997,18,000*	17,15,837	4,09,803	70,35,261	178,46,000	13,04,820
No of vehicles per km of surfaced road (1967)	3.9	22.1	71.5	8.9	12.7	26.9	34.2
No of vehicles per km of (all surfaced) road (1967)	1.3	15 8	41.6	7.0	8.8	18.0	20
No of vehicles per 100 sq. km of area (1967)	36	1,065	2,046	137	71	4,828	66
No of vehicles per lakh of population	232	50,639	23,537	1,224	35,089	18,051	2,966
Estimated highway expediture in million of US dollars (1966)	221.15	14,391	253.4	40.8	1,341.39	2,278.28	145.12
% of highway expenditure to national income (1966)	0.69	2.3	3.34	0.84	3.37	2.83	0.74

*Does not include Motor Cycles.

TABLE VIII

Revenue and Expenditure on Roads

Year ending March 31st	1952	1957	1960	1965	1966	1968	1969	1970
Revenue in crores of rupees	61.3	80.8	134.7	347.6	432.4	481.7	552.3	608.4
Expenditure in crores of rupees	40.4	86.5	90.7	157.9	165.9	177.7	196.4	200.5
Percentage	66.0	107.1	67.31	44.18	38.36	37	35.5	34.6

the same route has resulted in under-utilization of their capacity.

(b) High operating cost as well as unreliable service on the second and third class roads dissuades organizations from extending their service to the areas where they may be needed.

(c) There is a decrease in the revenue surplus which could generate additional resources to accelerate the growth. This in turn leads us to think of three basic questions, namely, (1) Given limited resources, should we have 100 km of third class roads or a lesser kms of first class roads taking the economic and social values into consideration? (2) Having decided the road to build, where has it to be located, taking into account the total economic as well as the social cost to the nation? (3) Should we have two different agencies, one to build roads and the other to use the roads?

lack of coordination

Coordination seems to be the other major problem. Rail transportation and air transportation have been reserved under the union list whereas road transportation has been placed on the state list. Under the present norm, the 16 road transport corporations continue to get the share from the government of India through the ministry of Railways. As a result the Railway ministry has considerable influence in deciding the schedule as well as the routes to be operated by a road transport corporation whereas the later has nothing to say about the former. Moreover Railways are seen by the public as a 'Status Symbol' and the stiff resistance to change has forced the railways to run uneconomic routes. Taking all these factors into consideration both the agencies for the same service, namely transportation of people and commodities from a place to another, suffer heavily. The competition between the same mode over the same route is also significent because of a bad licensing policy and political and public influence.

This leads to two basic questions namely: (i) should we not think of transportation in its totality irrespective of mode and agency which manages it; (ii) can a country with thousand and one problems to solve continue to afford the luxury of competition, while importing 60 per cent of the petroleum products, and paying for it in scarce foreign exchange?

The faulty industrial policy in the manufacture of engines, spares and auxiliaries seems to be another bottleneck. The production of these items is far below our requirements. As a result, transport undertakings are forced to either restrict their expansion or resort to overuse the vehicles, even if their economic life is over, at a higher cost of operation. The latter is evident from the fact that in a recent study by the World Bank it was found that vehicles are being used upto 20 years although their useful life is only six years. This results in restriction of growth, higher operating cost, irregularity in service, loss of goodwill etc.

related factor

Another related factor is the manufacture of poor quality, unreliable spares by the ancillary units to take advantage of the general scarcity of these items in the market. This can be solved by (i) increasing the production capacity of engines, chassis and other major components or sub-assemblies; (ii) checking the quality and reliability of the automobile ancillaries through a set of testing laboratories or strict adherence to specified standards, and (iii) taking the responsibility of manufacturing by major nationalised undertakings such as the state transport corporations either individually or collectively.

Another major factor which affects growth is the inefficiency of the operation in both private and public sectors. From a study of the available figures for the year 1970-71 in respect of 23 nationalized undertakings in terms of the return on the capital invested, it is observed that seven undertakings have earned over 10 per cent return, eight of them have obtained a return of less than 10 per cent and eight have sustained operating losses, the losses in three cases amounting to as much as 30 per cent of the capital invested. The expenses per km of vehicle in one case is 56.8 paise for staff whereas in the other it is only 34 paise. In the same state even the ratio of manpower to vehicle varies from undertaking to undertaking ranging from 7.5 to over 10.

The financial profit or loss does not show the efficiency/inefficiency because the fare and taxation varies from 6.0 paise/km in Bihar to 2.8 paise/km in Madhya Pradesh. Low vehicle availability, low capacity utilisation, higher maintenance expenditure, higher cancellation of trips and lack of trained managerial and technical personnel seem to be chronic with most of the public sector transport undertakings

This was the view expressed by a section of the managers of transport undertakings during a discussion with them. All these can be atributed to a set of factors such as:

(a) lack of a rational objective keeping in view the external and internal environment.

(b) lack of trained managerial and technical personnel to transform the objective into rational operating plan and finally implementing it (this is due to the fact the management of a road transport organization is looked down upon by our professionally skilled managers and technicians as a second rate job, so also is the view of public at large).

(c) the travellers of the bus transport constitute the vocal section of the society, hence the operating policy of the undertaking is heavily affected by the political and public pressure;

(d) general scarcity of good quality and standard spares and lack of a scientific maintenance policy and management.

hire-purchase

Most of the small-scale unorganized private sector operators have 1 to 10 buses many of which are acquired on hire purchase at a rate of approximately 18 per cent interest. Their low fleet strength restricts them to attain economies of scale in operating on ordinary routes. So they try to resort to such profitable routes where a higher occupancy ratio is ensured through various legal as well as extra practices. The Motor Vehicles Act of 1939 vests certain discretion in the state transport undertakings to take over routes and areas. These sections in the act are not so clear, so invariably in the litigations between the private and public undertakings, the victory has been all on the sides of the former, because they have succeeded in getting a stay order and a temporary license in each disputed case.

Under the present act the operator has also got the right to renew an expired permit i.e. a licence to ply buses over old routes. Since the public sector undertakings are new to the business, with their limited experience, they are invariably deprived of taking over a new profitable route or getting issued in their favour an old profitable route whose permit has expired. As a result the public sector enterprises are forced to operate on many 'uneconomic' routes partly as (i) they have no other go,

nd (ii) partly they are called upon to erve in the greater interests of the ommunity.

Due to all these factors the public sec-or undertakings sustain financial loss hich is looked upon as their inefficiency nd their plea for expansion and growth s turned down. On the other hand the rivate operators' break-even point being igh, they do not want to expand their usiness into uneconomic new routes. his in turn has led to unnecessary com-etition between modes and within the ame mode and slowing down the rate of rowth. However, increase in the growth ate of road transport has been general at he cost of the previous short haul pas-engers of the railway network with little r inadequate penetration into rural areas.

different phenomenon

The phenomenon on our city front has been a little different. There the slow growth and increased loss has been mainly lue to low fleet utilization because of ncreased congestion, peak demand and igh operating cost per kilometre with-out corresponding increase in earnings.

Taking all these factors into considera-ion a few basic questions arise which erhaps need a deeper thought today than as been given to them. These are:

(a) *Should we nationalise the entire bus transport industry*? The principal objec-tive of the fifth Plan is to extend the benefits of a welfare state and to attack the vast unemployment in rural and economically backward urban masses. Particularly in the rural context any form of development programme ranging from improved health service, better educa-tional facilities, housing, supply of drink-ing water, implementation of family planning to the most important pro-gramme such as supply of inputs like seeds, fertiliser and transfer of technology to sustain the green revolution, will require an efficient mass transportation system. This will require a good and efficient organization, considerable invest-ment and probably an element of subsidy in the beginning.

Private operators for economic reasons will not enter into these vast un-explored areas. Public undertakings, if made to explore, will require a high degree of subsidy in addition to the present amount. On the other hand if both the public undertaking routes and the present highly economical routes in the hands of the private operators come under the same roof the subsidy is likely to reduce subs-tantially. The other advantage of it will be to eliminate the competition in the exist-ing routes between various modes and also within the same mode. Hence the questions to be answered are whether we should tap the potentiality of rural transportation. If we tap, whether we can afford the com-petition existing at present and the in-creased subsidy. If at all the decision is taken in favour of total nationalization, implementation of the decisions through development of required organization, managerial and technical personnel, has to be taken care of. Finally the decision has to take the maximization of social as well as economic benefits into con-sideration.

We are also aware of the inefficiency. corruption and nepotism prevailing in the nationalised undertakings. Recently the Banerjee committee has pointed out serious mismanagement in CSTS, NBST and the DTC. The situation will not be very diffe-rent in the case of other undertakings. Such mismanagement can be attributed to (i) a lack of dedication (ii) poor training and skill (iii) poor labour relationship and (iv) perhaps, the most important being a gene-ral degradation in moral and ethical values accompanied by the inadequate and in-efficient public accounting system. We do not suggest that private sector operators are honest. They may be able to show profit in an accounting sense. An analysis of facts, leading to this account-ing profit will reveal that they are equally, perhaps sometimes more, inefficient from the social cost and benefit point of view.

perquisites of nationalisation

The nationalization of the total bus transport industry has to be necessarily backed up with (i) the changes in policy rules and procedures, (ii) the injection of trained, skilled and motivated managerial and technical manpower and (iii) infusion of a sense of belonging among the emplo-yees of such undertakings, through parti-cipation in the management for smooth running of such undertakings. Unless nationalization is backed up, as outlined above, it is likely to have all the bad qualities of both private and nationalised undertakings, as is evident from the perfor-mance of most of our nationalized units in transport as well as other sectors of the economy.

(b) *Does our attitude towards the problem of passenger transportation need rethinking*?

If we accept the role of every mode of transport is the same, namely carrying commuters and commodities from place to place, then the decision on the role of each mode or region where it works must be based on where it can best fit into the re-quirements of the people and also its allocation should be such that the total transportation cost to the economy of the region or the nation as a whole is mini-mum. If this hypothesis is accepted, we should not have duplication or competi-tion between various modes. But today in cities we have free access to both high speed buses, passenger cars and also to the slow moving rickshaws, bicycles and bullock carts. The scene in the rural or intercity transportation is also not diffe-rent. Here either we have parallel train and bus service or too many buses running with under-utilized capacity. Economi-cally both amount to the same.

consumer's choice

The basic argument in favour of this structure is that the consumers get their choice. This leaves us to make a cost-benefit analysis of all the systems i.e. a comparison of the huge losses arising out of high operating cost and inconvenience due to many modes of service in the city plus the cost of competition between the modes and the opporatunity cost of this loss foregoing investment in some other sector of economy on the one side and the benefit of people getting their choice. It can be said prima facie that perhaps we cannot afford the luxury of com-petition and loss in allowing slow mov-ing vehicles to operate where requirement is speed and punctuality.

(c) *Should we have different authorities for different modes*?

Since transport is an input to all other sectors of development can we isolate it? Probably the answer to these questions is no. At present the situation is chaotic. Road building and road transport are exe-cuted and controlled by two different au-thorities and as a result there is hardly any correlation between the demand of road users and the development of roads. Road transport extends its service without car-ing for railways and vice versa. Hence from the community point of view they should be either under a single authority or there should be proper coordination. Since transportation requirement and land use pattern go hand, in hand both the land use planning and transport planning have to be done by a single authority. It has been said that more than 50 authorities are there in Calcutta looking into the same

problem of transportation. Housing colonies, recreation centres, business houses spring up like mushrooms without caring for the capability of the transportation system to sustain the load. This has resulted in heavy traffic congestion, uni-directional traffic flow, low vehicle utilization and subsequent loss. The only solution to this chaotic condition seems to be a coordinated planning and execution of development of land and transportation network of various modes.

(d) *Should passenger transportation be subsidized*?

Most of our city transportation and quite a few state transport corporations are subsidized. The question of subsidy will only arise when this is at par with other social services as education, health, water supply, housing etc. There is no doubt that a number of people who travel by bus are poor in a relative sense but not in absolute sense. More than 40 per cent of our population do not get the basic necessities as food, clothing and shelter. The main argument in favour of subsidy is that against the huge chunk of tax, around 25 per cent, collected from transportation the subsidy is negligible and it may be taken as the share of the consumer of the tax burden. This argument seems to be unreasonable since any amount of subsidy is compensated by general taxation where the poorer section of the society is affected.

(e) Should we continue to look down upon jobs in a transport undertaking? Transport is an input to the total development effort. Hence these are no reason why our professional managers and technicians should look down on transportation in general and road transportation in particular. This should be taken as a challenge. Perhaps better working conditions and the development of social recognition through advertisement, recruitment and training of educated personnel in these organisations will help solve the problem to a great extent.

A plea for better coordination and an integrated approach:

The need for better coordination and an integrated approach for the transportation and distribution is all the more urgent today because of the energy crisis. It is projected that if the present pattern of energy consumption continues, more than 50 per cent of our foreign exchange earning will go only for the purchase of petrol and diesel, which are so essential for transportation. Still higher proportion of the foreign exchange earning will go for petroleum imports in the eighties. It is not the dollars that only matter but the implicit power of influencing our foreign as well as domestic policies with too much dependence on foreign oil which is more important. The 'shadow price' of a litre of petrol or diesel is much higher today then ever before and probably will involve an intolerable stress in course of time. Hence energy economy should be the major criterion of the mode selection and growth. The energy intensiveness of the various transportation modes are given in Tables IX and X.

The following steps are recommended to achieve these goals:

An integrated approach to the choice of transport mode and modal split for the transport of passengers, and goods is needed. The criteria of allocation will be the total cost (both implicit and direct) minimization. This requires an efficient mechanism, either law or differential pricing, so that the true price of a mode is reflected. This will also call for a thorough overhaul of the existing organizational and procedural bottlenecks leading to better functional efficiencies of a cheaper mode for reflecting the true image of that mode. A cheaper mode from social point of view may often be costlier from the consumer's view point. An example of such a situation is our railways. A part of the diversion of the high value commodities and short distance passengers to road transport can be attributed to the in-

TABLE IX

Energy Consumption for Various Modes of Passenger Transportation. Joules/Person/100 km (source 14, figure converted to a tabular form. One litre of Petrol=37.9×10⁶ (Joules)

Modes	Joules×10⁶	Mode	Joules×10⁶
Walking	17	**Train**	
Cycling	5	100 Passengers	115
Single deckbus		200 ,,.	70
15 Passengers.	60	300 ,,.	40
30 ,,	25	400 ,,.	30
45 ,,	16	**Car**	
Aircraft		1 Passenger	320
		2 ,,	155
80 passengers.	155	3 ,,	105
		4 ,,	50

TABLE X

Energy-Efficiency for Freight and Passenger Transportation Between and Within Cities

(Source 1)

Mode	Energy-Efficiency	Mode.	Energy-Efficiency
Intercity freight	**Ton-miles/ gallon of petrol**	Rail Road.	80
Pipeline	300	Automobile	32
Waterway	250	Air Plane	14
Rail Road	200		
Truck	58	**Intercity Passenger:**	
Air plane	3.7		
Intercity Passenger:			
Bus	125	Mass Transit	37
Passenger miles per gallon of petrol			
		Autombile	17

fficiency of its working. The uncertainty, oor labour relations and inefficiency have lso necessitated thinking of alter- ative modes of transport for low cost ommodities such as foodgrains, coal, re etc. which were railways' monopoly. uch a move is welcome, provided the al- ernative mode proves to be cheaper to he national economy.

per unit cost

Increased size of the carrier i.e. bigger he bus or bigger the train, energy con- umption as well as the total cost per unit f load will decrease to that extent. This s evident from Table IX. Although we ealise the importance of standardisation nd minimum number of models, this sho- ld not be all. From the point of view of ur ultimate objectives the extent of which ultiple models with different capacities an be harnessed should be fully utilised.

The problems associated with our trans- portation systems, more specifically, our ail and road systems, are analysed. Some olutions to do away with the shortcomings ave been suggested, with a hope that they will generate sufficient stimulus to think nd act.

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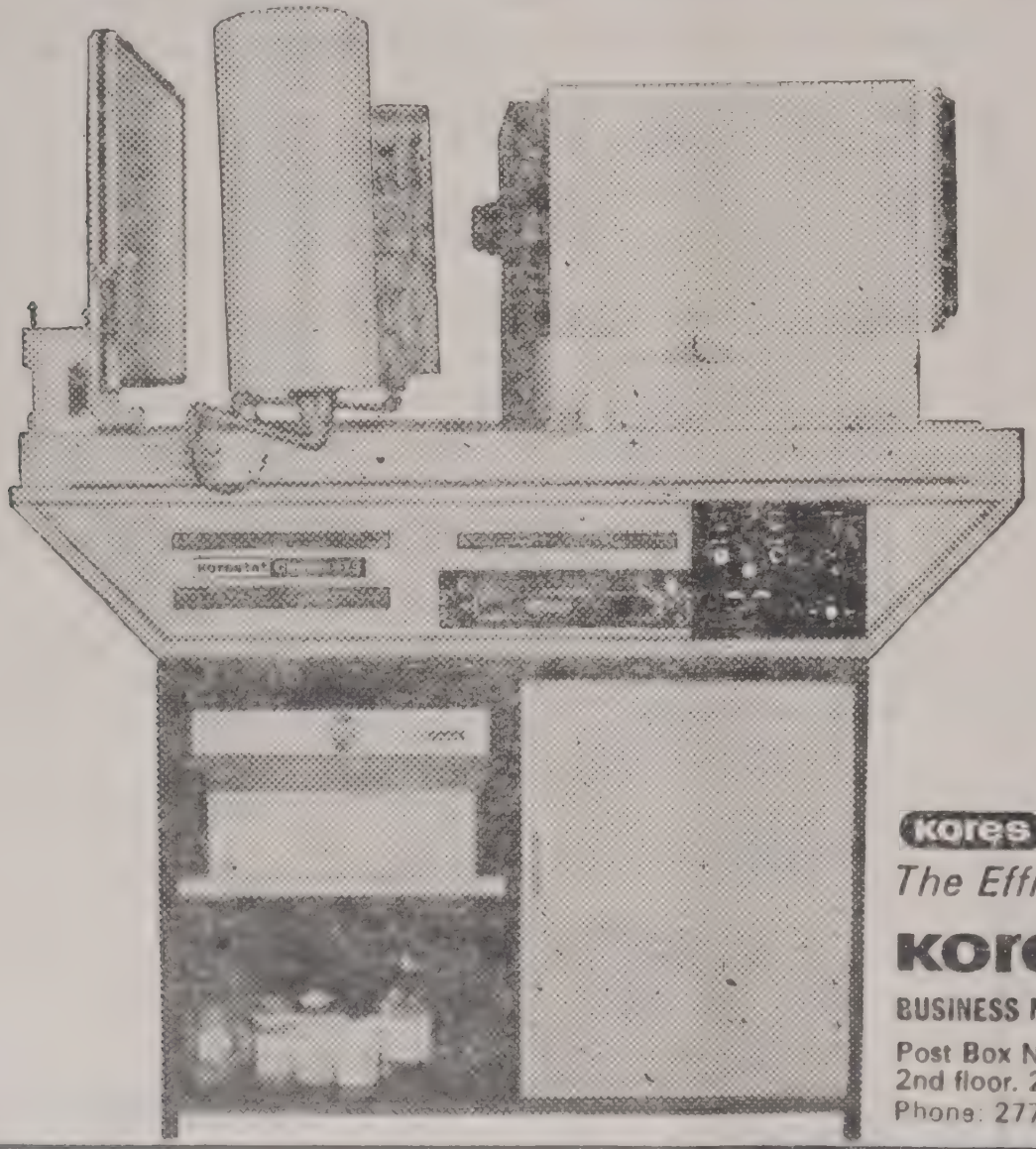
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French nuclear Energy policy

London

Jossleyn Hennessy

I

Nuclear Power Enters the Scene

THE OIL crisis has laid bare the drawbacks of France's excessive dependence on foreign energy supplies. This has strengthened the possible contribution of nuclear power to the long term solution to the problem. With circumstances dictating a reappraisal of energy policy, France's long standing and successful nuclear research programme give her an outstanding advantage in the nuclear field.

Spurred by the substantial increases in oil prices, the major consumer countries have been led to review their energy policies, and to enivisage new sources of power which have suddenly become competitive.

Energy policy in France since the war has followed a characteristic line of development. The impoverishment and gradual exhaustion of the coalmines was foreseen ahead of time, and the first stage was to increase hydro-electric capacity. By the early 1960s, thermal and hydro-electricity was being generated in roughly equal proportions. But few river sites remained to be harnessed, and the fall in the relative price of oil and natural gas led to emphasis on production of electricity in thermal power plants, today accounting for 60 per cent of total output of electricity.

In 1973, EDF, the national electricity authority, burnt over 14 million tons of fuel oil. It is France's biggest single user of oil products, absorbing 10 per cent of total domestic consumption, and no less than 30 per cent of domestic consumption of heavy refined products. Now it must face the problem of higher prices associated with supply difficulties. In reappraising the use of conventional power plants, nuclear energy has come to the fore as the power source of the future.

Soaring oil costs have strengthened the competitive potential of nuclar power: in producing a kilowatt hour of energy, the direct cost of uranium is one-tenth that of fuel oil. Deposits of natural uranium are fairly well distributed throughout the world, and France controls eight per cent of total proven reserves. Many official studies and statements have argued in favour of expanding the share of nuclear power in total output above the present figure of 10 per cent. In 1973, the Consultative Commission on the Production of Electricity of Nuclear Origin (PEN) recommended that new plants be commissioned for the period 1978-82 representing 13,000 electrical megawatts (MWe) of capacity, with the aim of bringing nuclear power up to 50 per cent of total electricity supplies by 1985. The PEN has forecast that by the turn of the century, 45 per cent of France's consumption of energy would be in the form of electricity, compared to 22 per cent at present, and that 85 per cent of this would be produced in plants representing the equivalent of 200 nuclear units of 1,000 MWe capacity. More recently, the government has stated its intention of moving from the construction of conventional thermal plants to the construction of nuclear facilities in its future programmes.

India and Atomic Energy

This is the third of four special reports which Jossleyn Hennessy is sending us following the emergence of India as an atomic power.

The First, published on July 5, reported on the world uranium supply situation.

The Second, published here last week, reported on Europe's search for an enriched uranium policy.

Today's Report gives the French viewpoint.

Next Week's Report will explain Japan's plans to develop nuclear energy.

Editor

II

France's Choice

Nuclear research in France began in 1945 with the creation of the Commissariat for Atomic Energy (CEA) to "pursue scientific and technical research to promote the use of atomic energy". At the time, this very general objective mainly meant research into military applications of the atom, by no means an easy task, since anything to do with atomic science was top secret, and there was a total embargo on uranium supplies. This explains both the grouping nature of the early programme, and the many original features in the French approach.

One of the CEA's first assignments was to secure supplies of fissile materials. A report issued by the European Nuclear Energy Agency of the OECD and the IAEA identifies two classes of uranium supplies. "Reasonably Certain Resources" (RCR) are those secured from known deposits whose quantity, configuration and uranium content are such that given the market price, uranium can be recovered using current techniques at an acceptable cost, RCR deposits in France could pro-

WINDOW ON THE WORLD

duce 36,000 tons of uranium metal at less than $10 per lb., and a further 20,000 tons at a cost of between $10 and $15 per lb. "Reasonably Estimated Resources" are those which may be presumed to exist in extensions of known deposits or as yet undiscovered deposits in areas in which uranium is certainly present. These are estimated at 24,000 tons which could be recovered at less than $10 per lb., and a further, 20,000 tons at a cost of between $10 and $15 per lb.

In 1954, a number of private firms launched a uranium exploration programme and more recently, the oil majors have entered the field. French production of uranium concentrate from ore (whose uranium content is below one per cent) is located near the main deposits in plants at l'Escarpiere (Vendee), Bessine (Haute-Vienne) and Saint-Priest (Loire). Output of processed uranium in 1973 was 1,500 tons. Through the CEA's concession rights, in Gabon and Niger in particular, France controls 10 per cent of world reserves, and lies fourth in the world ranking table.

military application

The discovery of uranium deposits in France in the early 1950s influenced the CEA's development strategy. The main aim was to produce plutonium for military applications, and the CEA therefore chose to construct plutonium breeder reactors fuelled by natural uranium. The decision to build the Gl reactor at Marcoule was taken in 1953. This reactor was to be of the natural uranium-graphite-gas family. The technicians considered that, apart from producing plutonium, the enormous quantity of heat generated as a by-product could be used to produce electrical power.

Electricity is produced by a nuclear reactor through the same basic process as in conventioned thermal electricity production.

The difference lies in the heat source. Conventional plants burn fossil fuels such as oil, coal or gas to produce steam which feeds a turbine, whereas a nuclear plant uses the heat developed from fission of uranium nuclei in a nuclear reactor. Natural uranium is composed of two isotopes: 99.3 per cent of U238, which can produce plutonium, and 0.7 per cent of U235, which is directly fissile and so can be used to produce heat. To control the fission of nuclei in a reactor "moderator" is necessary, usually graphite, ordinary water, or heavy water. The heat released in the process of nuclear fission is evacauted from the reactor so as to produce steam, using an appropriate coolant which may be gaseous (e.g. carbonic gas or helium) or liquid (e.g. water or liquefied sodium). In the reactor used for the first installation at Marcoule, natural uranium was the fuel used, graphite the moderator and gas the coolant.

Technically, Gl was a complete success and the CEA was authorised to build two more breeder reactors (G2 and G3, each of 40 MWe capacity) designed also to produce electricity. The mastery of the process enabled EDF, in collaboration with the CEA to embark on a programme for producing electricity in three prototype nuclear plants at Chinon I, II and III, of 70, 200 and 480 MWe capacity respectively.

Notwithstanding some technical problems, the programme was carried out successfully and nuclear electricity was produced on an industrial basis. Unit capacities were then raised progressively to improve cost efficiency. The first facility constructed at Saint-Laurent-des-Eaux (480 MWe) produced its billionth kilowatt hour in 1969, and was followed by Saint-Laurent II (515 MWe) two years later and Bugey I (540 MWe) in 1973. In addition, EDF was co-project sponsor for a 480 MWe plant built at Vandellos in Spain. In all, ignoring some experimental projects of the CEA designed to investigate other processes (e.g.the plant at Brennilis, Monts d'Aree using heavy water as moderator), the reactors in the uranium-graphite-gas family represent a total installed capacity of 2,415 MWe, after allowing for the planned closedown of the Gl reactor at Marcoule and Chinon I.

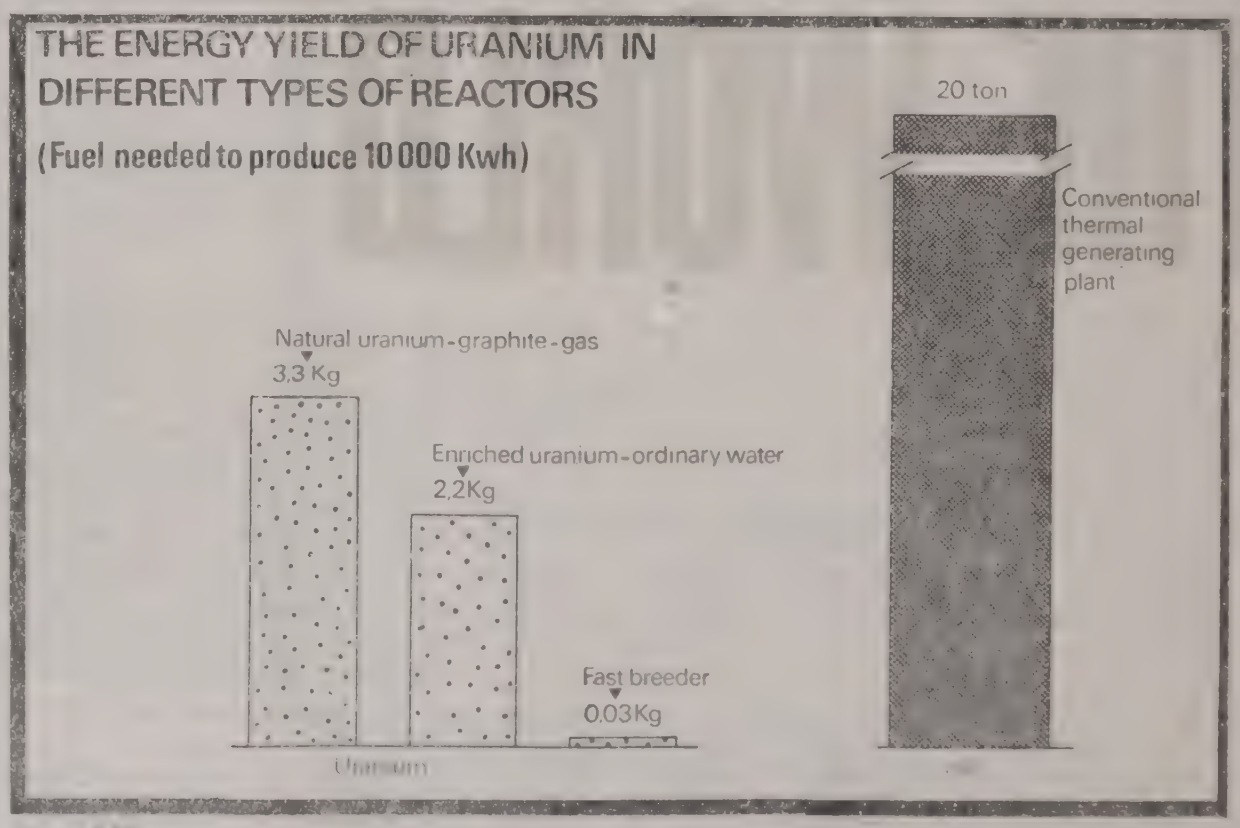
Fance's nuclear research during this period made it the third largest nuclear electricity producer in the western world, ranking only behind the USA and the UK.

While France and the UK were separately investigating the techniques of their own reactor families, the USSR and the USA were constructing uranium treatment plants, and the USA had developed two processes based on enriched uranium: the Pressurised Water Reactor (PWR) designed by Westinghouse, which had participated in the US programme for the use of nuclear power as a propellant for ships and submarines, and General Electric Boiling Water Reactor (BWR). In both types, ordinary water is used both as moderator and coolant. The industrial scale of these two firms speeded the rapid development of their reactor types, and each has booked orders for over 100 units, mainly from foreign operators. Technically their is no doubt that the American reactors obtain the best yield from the uranium used, and so produce a KWh of electricity more cheaply than the French reactor family.

EDF took the opportunity to become familiar with the PWR technique through the cooperation with Belgian electricity producers in building power plants at Chooz in the Ardennes (266 MWe) in 1966, and at Tihange in Belgium (870 MWe), to enter service in 1974.

Put shortly, in the light of the advantages of this type of reactor, the sixth French National Plan provided for the construction of 8,000 MWe of reactor capacity using enriched uranium, which meant the doom of the natural uranium family. This still left the EDF with the problem of which process to select.

As a plant costs 1,200 million francs to



onstruct, the stakes were high enough generate competition between the boil- manufacturers (a boiler costs some 350 illion francs, say $70 million). Creusot-oire held the licence from Westinghouse or the PWR type of reactor. Babcock-tlantic, holder of a licence from Bab-ock and Wilcox, had developed its own echniques for the same process. The GCE (Compagnie Generale de l'Electri-ite) held the licence for the BWR type onstructed by General Electric.

FRAMATOME, a subsidiary of Creu-ot-Loire, turned out to be the only const-uctor able to carry out the boiler work or the reactor vessel, through the ex-erience that it had gained in the Chooz nd Tihange projects. It received orders or six boilers to be installed between 1975 nd 1978 for Fessenheim I and II (900 MWe each) and Bugey II, III, IV and V likewise 900 MWe each).

However, on governmental reconsidera-ation, EDF issued tenders so as to have t least two potential suppliers. Babcock-Atlantic unable to come to some agree-ment with CGE, withdrew, and two firm orders were placed with CGE for Saint-Laurent-des-Eaux III and IV (each 995 MWe, to enter service in 1980), with a further six options which may be either further units to be built on sites already n operation such as Fessenheim or Chi-non, or new installations at such locations as Dampierre-en-Burly, Tricastin, Gra-velines, Paluel, Port-la-Nouvelle, or Ambes. The programme as a whole re-presents a total capacity of 8,000 MWe and reflects the intention of the public authorities to cease further order for con-ventional plant, in favour of accelerating the nuclear installation programme. It is anticipated that EDF will be authorised to start work on six units in 1974 and a further seven in 1975.

III

The Nuclear Turning Point

The speed with which the enriched ura-nium type of reactor has gained accep-tance in France and Europe raises the question of supplies of enriched uramnium. Independence of US supplies can only be achieved in the framework of a European solution. At the same time, the constant attempt to improve the energy yield of uranium has led to development by the CEA of a new and very promising techni-que: the fast breeder reactor.

Europe will need six to eight million WI-SU in 1980(one WISU or working isotopic separation unit corresponds to about 250 grammes of enriched uranium) generat-ing plants. This is a lot of uranium, and in-1972, France invited other European countries to join it in the EURODIF agency's project to construct a plant for producing enriched uranium using the gaseous diffusion process. This plant would be planned to produce 4.7 million WISU in 1979 and 9.3 million in 1981. Simultaneously, a competitive agency, URENCO, set up by several countries which were at one time members of EURODIF (West Germany, the UK, the Netherlands) was supporting a scheme to use the ultracentrifugation process to pro-duce 100,000 WISU in 1975, and raise production progressively to one million WISU in 1980. Negotiations to secure a degree of cooperation between two agen-cies failed.

France then invited the remaining mem-bers of EURODIF, Italy, Belgium, Spain and Sweden to carry out a joint pro-ject in which France would hold 47.5 per cent of the capital in the name of the CEA, but declared that it would go ahead with the plant even if all the other pros-pective partners withdrew.

Enrichment consists of raising the U235 content of the processed metal, to three or four per cent in the case of uranium fo fuelling nuclear power plants. For yield reasons, the gaseous diffusion process calls for a huge investment outlay of 7,000 million francs in four years. Further, it uses a substantial quantity of electricity six to seven per cent of the electricity pro-duction potential of the enriched uranium obtained), which in practical terms means another four nuclear power plants of 900 MWe capacity each. The process has already been developed to the stage of industrial application. By contrast ultracentrifugation is still at the proto-type stage but the individual units are smaller, and own-consumption of electri-city is lower. It now seems that both schemes will go ahead simultaneously.

All the potential participants in the EURODIF project have decided to partici-pate except Sweden, which is expected to make an announcement shortly. The plant would be built at Tricastin in France. The members of URENCO have decided to put up two plants, one in Britain, the other in the Netherlands, with a unit capacity of 200,000 WISU in 1977 and 2,000,000 in 1980. Any temporary over-production of enriched uranium will be

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available for export, with Japan as an important potential client.

The capital requirements of the EURODIF projects are so large that the banking sector will inevitably be called on. The Societe Generale has organised the provision of finance through FINBERG, a "groupement d'interet economique" (State-recognised economic association) which it has constituted in collaboration with the Banque de Paris et des Pays-Bas and the Credit Suisse.

When the fast breeder reactor Phoenix went critical in August, 1973, it was the first of its kind in the western world, and a feather in the cap of French nuclear research.

This demonstration plant was built as a cooperative project over four years by the CEA, EDF and GAAA (Groupement Atomique Alsacienne Atomique, 65 per cent owned by CGE and 35 per cent by Babcock), and is the first step towads the use of fast breeder reactors on an industrial basis.

The specific feature of this reactor is that it produces more fuel (plutonium) than it consumes, and that it uses 60 to 70 per cent of the energy potential of the uranium input. This is equivalent to multiplying the potential yield of known uranium resources by a factor of over 50. In theory, a kilogram of uranium should produce 30,000 KWh in a natural uranium-gas-graphite reactor, and 15,000 in an ordinary water reactor using enriched uranium. A kilogram of uranium fuelling a fast breeder should produce three million KWh — a quantity of electricity for which otherwise 600 tons of fuel oil would have to be burnt in a conventional thermal plant. Clearly the fast breeder has a promising future in electricity production.

A group of power plant operators including EDF, the Italian Electrical Authority (ENEL) and the West German RWE is planning to build two high-powered fast breeder reactors. One of them, based on the French technique, will have a capacity of 1,200 MWe and will be installed at Marville near Bugey.

IV

Safety

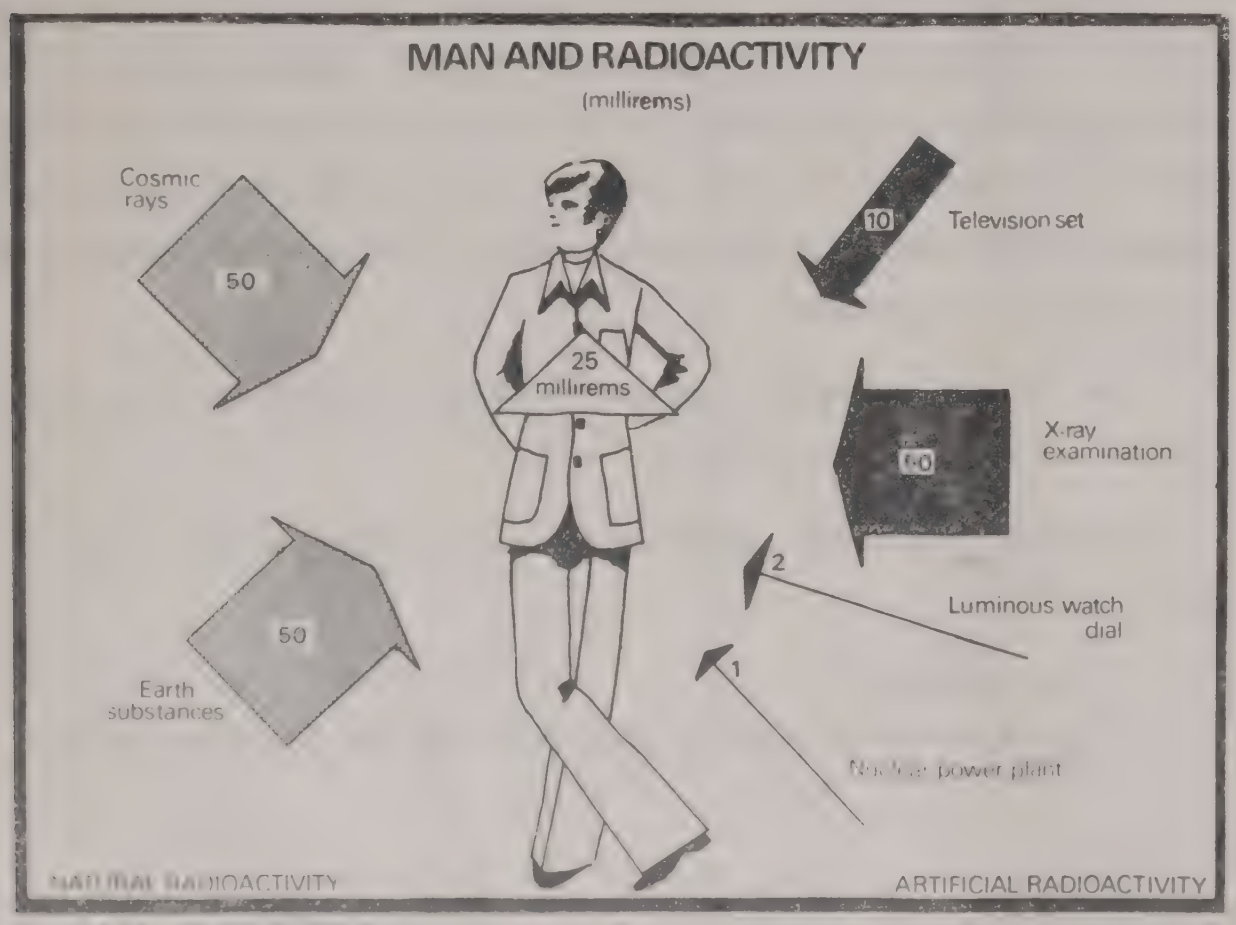
A study by the Massachussets Intitute of Technology on behalf of the US Atomic Energy Commission shows that the probability of a major accident in a nuclear power plant is of the order of one in a thousand million to ten thousand million years. This estimate is mainly based on the fact that reactors do not contain enough U235 to cause the slightest risk of explosion. This can readily be seen from a comparison with an atomic bomb, which uses uranium that is enriched to 90 per cent U235, whereas the enrichment of the fuel used to produce electricity is of the order of two or three per cent. In any case, a panoply of safety measures is strictly applied through the whole process, including thorough preliminary trials, severe production norms, a multitude of protective systems to prevent any type of failure, and physical structures designed to withstand a serious fortuitous event such as a plane crash or an earthquake.

Obviously all these precautions take a heavy toll in the final cost of a nuclear plant. Note also that a nuclear power plant releases no more than one millirem of radio-activity into its surroundings, compared to ten millirems for a television set, and that neither in France nor elsewhere has there ever been an accident in a power plant resulting in the physical injury either of a member of the staff or the local population.

Breeder reactors have a relatively greater risk factor because the plutonium used as fuel is highly radioactive. Understandably, the transformation and treatment of plutonium and radioactive wastes (carried out at the La Hague treatment plant) is subject to especially severe control procedures designed to eliminate any possible risk of contamination.

It would be wrong to hide the fact that problems exist, but the technical progress now being achieved should make it possible to solve them with relative ease. A realistic assessment suggests that nuclear power offers the only viable medium-term solution to the energy problem and its related environmental issues.

Sources and acknowledgements: The foregoing summarises a report in the latest bulletin entitled *Conjoncture* published by the French Societe Generale Bank, 29 Bd. Haussmann, 75009 Paris, France, but the bank is responsible neither for the emphasis of my summary nor for my interspersed comments based on a variety of sources.



MOVING FINGER

The pre-Independence Day anniversary week was gratuitously besmirched by two wanton acts of folly for one of which Mrs Gandhi's party was responsible and for the other the central government of which she is the prime minister. Her partymen or those who advise her on party tactics seem to be grossly insensitive to the public mood; otherwise they would not have perpetrated the scandal of the so-called youth rally in the capital on August 9. I do not want to dwell here on the unsavoury episodes relating to the organization of the rally such as the commandeering of public and private road transport or the abuse of scarce railway facilities for moving participants from various parts of the country to the capital and back home or on the indiscipline or often unseemly conduct of these young men and women while they were out on this jaunt. What I would like to emphasize here is that the rally was an outrage in itself because its motive clearly was to stage an obscene beating of political drums for the benefit of the ruling party and its leader at a time when the people of the country, faced with serious problems of life and living, have lost patience with these political circuses.

It is amazing that Mrs Gandhi should still be living in those heady days after the Congress split or the nationalization of banks when her party hacks could hire professional slogan-shouters by the hundreds to stage rallies before her residence, either for boosting her morale or for pandering to her vanity. In any case the prime minister had only less than a week to go for an opportunity of addressing an Independence Day crowd from the Red Fort. What then was the need to hold the youth rally at considerable public and private expense and expenditure of physical resources on August 9? It has been suggested that this so-called youth rally was an attempt to demonstrate the prime minister's hold on the country's youth as a counter to Mr Jayaprakash Narayan's movement in Bihar. If this was the purpose, it would certainly have been far more appropriate had her partymen ventured to stage in Bihar itself a demonstration of the prime minister's or her party's control of student power in that state. In any case Mrs Gandhi's hankering after youth power could only serve to underline the fact that she herself is now heading towards her sixties. It is high time that somebody told her to be her age.

As for the central government, I just do not understand why it took it into its head to send the minister for External Affairs to Seoul just at this time. In the twenty years or more that had gone by, New Delhi had many legitimate opportunities of cultivating diplomatic relations with South Korea and improving commercial and cultural intercourse with that country. In Nehru's time his peculiar concept of ideology came in the way. His daughter is supposed to be more practical but, so far as the recent Swaran Singh visit was concerned, there was more perversity than pragmatism in this exercise. Even South Block cannot be entirely unaware of the fact that, currently, President Park and his government are not the most shining symbols the world has to offer of a free society or a civilized political order. On the contrary, his organised suppression of civil liberties and violent persecution of his political opponents have imposed on South Korea a reign of terror which is unsettling the stomachs of even his friends, philosophers and guides in Washington, including the Pentagon.

It is indeed sad that, at a time when such democratic conscience as still lingers in various parts of the world is struggling to protest against the Park regime, New Delhi should have thought fit to depute its Foreign minister to make an official visit to the South Korean capital. It should after all have been possible for India to promote commercial, cultural and other normal relations with South Korea in the normal way without sending its Foreign minister on a special journey to Seoul at this particular time.

It seems that Mr Swaran Singh did not know in advance that the plane by which he left Hong Kong for Seoul would halt at Taipeh. According to a report in *The Times of India*, the minister was furious with those who were in charge of his travel arrangements for landing him in what he considered to be an embarrassing situation. This newspaper gave him full marks for making, as it put it, "the best of a bad job." Throughout the one-hour halt at Taipeh, Mr Swaran Singh sat in the otherwise empty aircraft, since he did not think it proper to go to the transit lounge. Thereby he avoided treading on the profane soil of Taiwan; thus did he save his soul and the honour and glory of the government of which he is a minister.

It seems to me that this squeamishness has very little to commend itself. It is true that Mr Swaran Singh belongs to a country where some curious taboos had been observed from time immemorial and have still not completely disappeared. For instance, caste Hindus would not allow *Harijans* to come near them for fear of defilement. Among caste Hindus themselves, the higher castes would not eat food touched by the lower castes.

Again, in Brahmin households especially, women, going through their monthly course of "the curse", would be made to feel truly accursed in every way. Nevertheless it is disgracetul that a representative of the government of India should feel it expected or required of him to practise similar ritualistic prohibition with regard to a country through which he happened to be passing — and which has done us no wrong.

I find that I have to refer to *The Times of India* in another connection as well. If Mr Swaran Singh was furious with those who made his flight plan from Hong Kong to Seoul, so is *The Times of India* with the government of India for permitting tape-recorders to be made in this country. Like a stray dog, which now and then feels the urge to do something about the fleas that are tormenting it, *The Times of India* occasionally gets a feeling in its bowels that it should say something about conspicuous consumption by other people. In an outburst of virtuous indignation it demands of the government to justify "the use of scarce materials for making goods which are at best playthings for the rich." But then journalists, especially senior journalists, have at least as many opportunities of going abroad as business executives or junior ministers. They do not therefore have to depend upon home production for their electronic playthings or other little luxuries.

VB

TRADE WINDS

Towards Slumpflation ?

THE NEW president of the United States, Mr Gerald Ford, in his first formal policy statement before a joint session of the two houses of the US Congress, has said that, in the area of domestic affairs, his administration would consider and deal with inflation as the nation's number one problem. This declaration, by itself, may not be enough to reassure either Wall Street or the larger American public who would naturally wait for details of how President Ford proposes to go about the job. The outgoing Nixon administration too had heen trying to deal with inflation despite its preoccupations with Watergate at home or foreign policy issues abroad. The Nixon approach was to try to restrain public spending in the aggregate (in spite of 'sacred cows' such as defence continuing to be pampered), while relying on the interest rate weapon to cut down demand-pull infiation. Although the man now in the White House is yet to spell out his own strategy if he has one, it is unlikely that there will be no major departures. What could happen is increased emphasis on avoiding deficit budgeting, accompanied by approaches at the political level to business managements and the trade unions to practise voluntarily policies of restraint with regard to prices and wages respectively. This would mean, by and large, that the American anti-inflationary strategy would continue to be one of accepting a moderate downturn in business activity and a level of unemployment rising to 5½ per cent (but not beyond) as a reasonable price to pay for the kind of regulation of inflation it considers good for the US economy to aim at or live with.

The implication, of course, is that Western Europe generally and the United Kingdom in particular will have to reconcile as best as they could to the international consequences of the White House strategy of controlled deflation. In the OECD, opinion has been steadily strengthening rather in favour of guided reflation and Britain's Chancellor of the Exchequer has already started cautiously experimenting with this approach. As Professor Paul A. Samuelson pointed out recently, although, at the start of 1974, all economists were agreed that it would be a year of 'stagflation', only a minority of them thought that it would be year of genuine recession. Now, however, this minority seems to be becoming the majority and, on the basis that the American economy has been experiencing negative real growth for at least two quarters, quite a few observers have been persuaded that the United States has already slithered into what is at least a mini-recession. In the circumstances there seems to be a strong British or even West European viewpoint that the United States would be best serving its own interests, and in the process world interests as well, by permitting itself a modest degree of reflation; otherwise, US monetary, fiscal and trade policies could have consequences far from helpful, for other national economies facing prospects of a 'slumpflation' while currently struggling with 'stagflation'.

Meanwhile the Labour government in the UK seems to feel that it should start attending to some of the grosser social consequences of inflation. As a result, index-linking, which has been a part of so much that is exotic in the Brazilian economy, has been quietly imported into Britain. Its debut however has been modest since the principle is being confined, at least for the present, to the purpose of affording some limited protection to small savers.

Two index-linked bonds schemes, which would be additions to the existing range of national savings schemes, have been announced. The first will be limited to those who have reached the national retirement age (ie old age pensioners) and will be a lump sum investment. The minimum unit will be £ 10 and there will be a maximum individual limit of £ 500. With a life of five years, the bond will be adjusted periodically after the first year in line with the general index of retail prices. It may be cashed at short notice but will earn a bonus if held to maturity. It would be free of UK income-tax and capital gains tax.

The second scheme is also tax-free, but involes regular contributions and is intended to be an alternative to the present Save As You Earn Scheme (SAVE). The maximum individual monthly contribution will be £ 20 but this will be revalued in line with the retail prices index. After five years the saver will be entitled to withdraw his payments index-adjusted, or leave his contributions in for another two years, at the end of which he will get further index adjustments plus a bonus. The building societies and the trustee savings banks will also be able to offer the second scheme. It is not yet known what would be the bonus available under either scheme but full details will be announced at about the time of the introduction of the schemes, which may be in nine to twelve months' time. While index-linking will protect the savings from erosion of capital due to inflation, the bonus will constitute the element of interest available to investors under these schemes.

State Loans

Sixteen state governments have announced the issue of their new loans bearing interest at six per cent per annum for amounts aggregating Rs 205.25 crores as under. Andhra Pradesh Rs 16.25 crores, Assam Rs 7.75 crores, Bihar Rs 14.00 crores, Gujarat Rs 16.25 crores Haryana Rs 11.25 crores, Jammu & Kashmir Rs 2.25 crores, Karnataka Rs 16.25 crores, Kerala Rs 8.25 crores, Madhya Pradesh Rs 9.50 crores, Maharashtra Rs 16.25 crores, Orissa Rs 13.00 crores, Punjab Rs 12.00 crores, Rajasthan Rs 16.25 crores, Tamil Nadu 16.25 crores, Uttar Pradesh 16.25 crores, and West Bengel Rs 13.50 crores. All the above loans will be issued at Rs 99.00 per cent and will open for subscriptions on August 27,1974 and close on August 31,1974 or earlier without notice as soon as subscriptions approximate to the amount of each issue. All the state governments reserve their right to retain subscriptions upto 10 per cent in excess of the notified amounts. The loans will be redeemable at par after 10 years i.e. on August 27,1984 and interest will be paid half-yearly on February 27, and August 27, each year. Interest in respect of all loans will be liable to tax under the Income-tax Act, 1961. Interest on government securities along with income in the form of interest or dividends on other approved investments will be exempt from income-tax subject to a limit of Rs 3,000 per annum and other provisions of Section 80L of the Income-tax Act, 1961.

The value of investments in the loans now issued together with the value of other previous investments in government securities and the other investments specified in Section 5 of the Wealth Tax Act, 1957 will also be exempt from the wealth tax upto Rs 1,50,000. Subscriptions may be in the form of CASH/CHEQUE. Maturing securities of the following state can be converted into new loans;

ndhra Pradesh, Assam, Bihar, ujarat, Kerala Madhya radesh, Tamil Nadu, Maha- ashtra, Kernataka, Orissa, unjab, Rajasthan, Uttar, radesh, and West Bengal. If ie cash value of the securities ndered for conversion is not i exact multiple of the issue rice per cent of the new loan ie tenderer will receive in ash at the time of issue of ie new securities the amount y which the value of the ecurities tendered exceeds the earest lower multiple of the ssue price. Interest on the ecurities accepted for con- ersion will be paid at the rate f 4½ per cent per annum upto nd inclusive of August 26, 974.

Applications for all the oans will be received at the offices of the Reserve Bank of ndia at Ahmedabad, Banga- ore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna and the State Bank of Bikaner and Jaipur at Jaipur. Applications will also be received at other places within the respective states as follows. (i) Branches of the subsidiary banks of the State Bank of India conducting government treasury work except at Hyderabad; (ii) Branches of the State Bank of India at places where there is no branch of its subsidiary banks conducting government treasury work; and (iii) In the case of Jammu & Kashmir loan, application will be received at branches of the Jammu & Kashmir Bank within the state of Jammu and Kashmir any branches of the State Bank of India where there is no branch of Jammu & Kashmir Bank. Applications for Kerala State Development Loan will also be received at treasuries and sub-treasuries in the state of Kerala at places where there is no branch of the State Bank of India or its subsidiaries conducting government treasury work. Applications for Uttar Pradesh State Loan will also be received at the district treasury, Chamoli. Applications for Punjab and Haryana State Government Loans will also be received at the State Bank of India, Chandigarh. Copies of the notifications and application forms may be obtained from any of the receiving offices mentioned above. In the event of over-subscription to the loan applied for, applicants tendering applications at the offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla) Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna will be given the option of transferring their cash refunds to any other state government loan which may still be open for subscription. To avail themselves of this facility, applicants should complete the "Special Option From", copies of which can be obtained at any of the offices of the Reserve Bank of India mentioned above and tender the form along with their applications.

Rise in Prices

The wholesale prices as measured by the official index (with the year ended March 1962 as 100) advanced by 2.2 per cent to 305.6 during June, 1974. At this level the index for June, 1974 was higher by 28.1 per cent, when compared to 238.6 for June, 1973. There was a rise in the indices of "food articles" by 3.1 per cent to 351.2, "liquor and tobacco" by 3.5 per cent to 304.0, "industrial raw materials" by 2.8 per cent to 335.1, "chemicals" by 2.1 per cent to 286.8, "machinery and transport equipment" by 1.8 per cent to 232.4, and "manufactures" by 0.9 per cent to 248.3. However, the index for "fuel, power light and lubricants" remained unchanged at its last month' revised level of 312.8.

Fall in Money Supply

Total money supply with the public as on August 2, has revealed a decline of Rs 138 crores in one month. Quick official estimates of money supply for July and up to the week ended August 2, place total money supply at Rs 11,249 crores., as compared with the official figures of Rs 11,387 crores for June. This reduction has been brought about mainly by contraction in the currency component of money supply, as the Reserve Bank held a tight grip on notes circulation in the past few weeks. As compared with the figure for April-end, the start of the slack season, money supply has risen only by a mere Rs 85 crores over the past three months, a rise of less than one per cent. In the same period last year, money supply had grown at a rate of 14.3 per cent. At Rs 6,359 crores as on August 2, currency has expanded by 10.6 per cent over the year, as compared to a rise of 17.4 per cent during the previous 12 months. Coupled with this contraction in the currency component of money supply, there has been a substantial return flow of funds to the extent of about Rs 313 crores to the RBI from the banking system.

Lurgi Projects

In view of India's plans for developing its fertilizer industry, the international activities of the Frankfurt-based West German firm of Lurgi Chemie and Huttentechnik GmbH should be of interest to us. The company is now participating in the building of fertilizer plants in quite a few countries. In May this year the firm received an order for the supply of licence, know-how, complete engineering and equipment for three fertilizer plants in the Republic Macedonia in Yugoslavia. This complex, which will manufacture phosphatic fertilizers, will consist of a phosphoric acid plant, mono-ammonium phosphate ("MAP") plant and a unit for the production of complex fertilizer. The complex fertilizer unit based on MAP, urea and potassium chloride will have a capacity of 200,000 tonnes per year and will use the low recycle process of Fisons in order to produce high-grade fertilizer.

Meanwhile Lurgi has been working on phosphoric acid and fertilizer plants which are being built in South Africa and Spain. A phosphoric acid production plant with an annual capacity of 25,000 tonnes (52—54% P_2O_5) will be started at Rustenburg in South Africa at the end of 1974. Lurgi is executing the contract on a turn-key basis and in this plant phosphate is treated with sulphuric acid according to the Fisons Dihydrate process. The NPK complex fertilizer plant which is being set up in Malaga, Spain, is expected to go into production in 1975. The complete engineering of this plant and the purchase of the corresponding equipment are being carried out by Lurgi on a cost plus fee basis. The starting materials are MAP from a preceding Lurgi plant under construction, urea and potassium chloride. The know-how is based on the NPK process of the Spanish company CROS.

Lurgi is also participating in the construction of what would be world's two largest MAP plants each with a capacity of approximately 200,000 tonnes of MAP per year. A sub-supplier of the consortium *Uhde Siemens—Polimex*, Lurgi has received orders for the project including licence, complete engineering and supply of equipment. The start-up of production of these plants is foreseen for 1975-76 and the output is intended to be exported. The Fisons Minifos process would be applied and a drier will be installed to reduce the water content of the MAP to lower than one per cent, thus reducing transportation costs considerably.

ISMA Meet

Mr C. Subramaniam, union minister for Agriculture, asked the sugar industry to restructure itself and 'rearrange' its relationship with cane growers. He was inaugurating the annual meeting of the Indian Sugar Mills Association (ISMA) in New Delhi recently. He suggested that the shareholding of the industry should pass on to the growers so that relationship became participative rather than exploitation. The cooperative mills fulfilled that requirement to a large extent and deserved special treatment and sympathy from the government, he added. The need to export substantial quantities of sugar by reducing domestic consumption was also important. The sugar industry

had to take a great deal of positive action to improve its performance. The industry he added, should evolve a programme to improve the yield substantially in the next five years and the objective must be to raise the yield to 100 tonnes per hectare in tropical and 50 tonnes per hectares in sub-tropical areas. Similarly the average recovery should be stepped up to 12 per cent and the average duration of the crushing season be raised to 200 days.

Mr Pradip Narang, President of the Indian Sugar Mills Association, urged the government to permit expansion of the existing units freely without any licence or restriction. This he added, would help to achieve the fifth Plan target of 5.7 million tonnes expeditiously at low cost. Mr Narang was speaking at the annual meeting of the association in New Delhi. He pointed out that the present licencing policy laid undue emphasis on the installation of new units while expansion of the existing ones has been relegated to a secondary position. He suggested that in the selection of site for a new unit adequate consideration should be given to the cane requirements of existing factories. Moreover, there should be a revolving fund as recommended by various experts to provide finance to the old units on easy terms for rehabilitation, modernisation and expansion.

The ISMA president urged the government to fix a 'remunerative' statutory minimum price for cane for the next season (1974-75) to enable factories maintain higher cane payments and boost output. The present price of Rs 8 per quintal, linked to a base recovery of 8.5 per cent, was fixed in 1972. Since then the prices of agricultural commodities had gone up all round. The same was the case with inputs such as fertilisers, whose prices had been almost doubled recently.

Import of Fertilisers

Actual import of fertilisers this year is expected to be 1.125 million tonnes. This would fall short of the anticipated level because of the difficult availability position in world markets, thereby leaving a gap between requirements and supplies, stated Mr A.P. Shinde recently. The actual quantity of fertiliser expected to be received against the contracts concluded with various countries during the current year is as under (in thousand tonnes) Romania 20.80, Poland 70.64, GDR 96, Bulgaria 13.8, USSR, 108.77, Yugoslavia 13.4, North Korea 4.6, France 15, Holland 16.79, Belgium 7.2, Norway 6.81, West Germany 68.25, Italy 58.54, USA 185.82, Japan 107.7, Kuwait 63.25, Congo 43.2, and Canada 225.

Increase in Exports

India's exports have increased by nearly 40 per cent during the first quarter of the current financiai year. Giving this information, union minister for Commerce, Prof. D P. Chattopadhyaya, told a gathering of leading exporters that this was a heart warming performance considering constraints such as power and raw material shortages and shipping and transport difficulties. Though the difficulties faced by exporters in getting drawback formed the main theme of discussions various topics affecting exports such as raw material shortages and import licensing procedures also figured prominently.

Export Obligations

A parliamentary committee on export incentives has advi sed the government against modifying the special export obligation imposed on larger houses and foreign majority companies or scrapping of the general export obligation on industrial units under the import policy. The committee is of the view that the list of industries for general export obli gation shonld in fact be enlarged. These two recommendations form the hard core of the committee's report. It has also made several other suggestions on import licencing, cash assistance, role of export houses and measures to increase in role of small scale sector in exports.

The committee has stated that the special export obligation of 60 per cent, on large houses and foreign majority companies while expanding output or seting up new companies and 75 per cent if they enter fields reserved for small sector should be continued for another three years because, the competitive strength of small units has not been built up adequately. The government may look into genuine difficulties faced in discharging the export obligation and take steps to remove them. But the policy as such, including that relating to 75 per cent may be reviewed only after two or three years.

Delegation for Tehran

A high-powered delegation led by the union deputy minister for Commerce, Mr A.C. George is visiting Tehran for talks with their Iranian counterparts. This will be followed by the visit of Prof. D.P. Chattopadhyaya, the union minister for Commerce when the new Indo-Iranian trade agreement is expected to be signed. Iran has already sent in its list of requirements. High on the list are sugar, cement, steel, and basmati rice. Quantities which India can offer of these items are being assessed in series of the inter-ministerial discussions which are underway. The delegation includes representatives of STC and Steel Authority of India Limited.

The committee on trade of the Indo-Iran joint commission has identified 19 principal commodities which have potential for export to Iran. If there is brisk trade in all these then it is is estimated that India's exports to Iran will rise from a level of Rs 55 crores dui ing the current year to Rs 95 crores by 1978-79. The items include sugar, railway equipment, power transmission equipment, jute manufectures, textiles, tea, material handling equipment, chemicals, spices, dyestuffs, textile machinery and rubber products.

This country will supply 300,000 tonnes of cement to Iran which will fetch foreign exchange of the order of Rs 9 crores. The Iranian importers have opened the letter of credit for the purpose. According to STC shipments would commence from the middle of next month and the entire export order would executed by the end of march, 1975.

Bhatinda Fertiliser Plant

The union cabinet recently cleared the Bhatinda fertiliser plant, which is the first of the three fertiliser plants that are being aided by Japan. The Japanese government has requested that the loan for the current year be committed fully to the Bhatinda plant. The Petroleum ministry is determined to remove all the bottlenecks. It has asked the state government to provide infrastructural facilities for the project.

Japan has agreed to finance the foreign exchange costs of the three fertiliser plants The three plants will he set up in the public sector during the fifth Plan. Japanese credit has been extended for a term of 25 years with a grace period of seven years and at four per cent.

Curb on Remittances

The Reserve Bank has recently announced that exchange permits for amounts exceeding Rs 2,500 or its equivalent in foreign currency would bear signatures of two officials of its exchange control department. This follows the exchange permit fraud, which led to illegal remittances of foreign exchange with the connivance of Reserve Bank officials.

State Budgets

Madhya Pradesh

Mr Kishori Lal Shukla, Madhya Pradesh Revenue minister, presented on August 14, supplementary budget with two new measures to mobilise resources from the agricultural sector. The two measures are MP Rural Development Tax Bill and the MP Agricultural / Immovable Property Bill. The Rural Development Tax, which replaces the surcharge on land revenue, will be charged on the basis of the holdings of of individual farmers.

he Bill, which was introduced y Revenue minister exempts oldings up to five acres. The ite of tax on holdings of dry nd from five to ten acres will e Rs 1 per acre. While the ite of tax on the holdings, hich assured of lift irrigation acilities or being irrigated y tubewells sunk before 1972, fill be Rs 2 per acre. Farmers aving land holdings with ssured irrigation for one crop nd two crops will be charged t the rate of Rs 4 and Rs 6 er acre respectively. The ite of tax will be doubled if ne holdings are between 10 to 0 acres. It will increase ree-fold if the land holdings e more than 20 acres. The ntire income through this easures, which is estimated t Rs 4.5 crores, will be used xclusively for the allround evelopment of rural areas. he state government expected come of Rs 7.5 crores by tax- ng the immovable agricultural roperty in the state. The tax ill be realised on the basis of f the market value of land oldings. The land holdings hose price may be determined etween Rs 10,000 to Rs 30,000 ill be charged at the rate of 5 paise per Rs 100 of the alue of such land. The rate f tax on holdings whose value assessed at more than Rs 0.000 will be taxed at the rate f 40 paise per Rs 100. The narket value of land holdings ill be open for review and evision every five years.

Tamil Nadu

Horse racing is to be abolished in Tamil Nadu from November 1. Chief minister Mr M. Karunadhi, made this nnouncement in the state assembly while presenting the upplementary estimates which ontained additional tax proosals intended to gross Rs 14 more crores in a full year. he additional levies proposed re: increase in the multioint sales tax from 3.5 per ent to four per cent., increase f one per cent, on those comolities for which the existing ate is seven per cent, at single oint, increase of purchase tax n sugar-cane from seven per ent 12 per cent. Sales tax on notor spirit is to be increased from Rs 150 to Rs 210 per kilolitre and that on diesel oil by two paise per litre. The tax on cinematograph exhibitions has been raised on a slab basis, with a maximum of Rs 150 per show for air-conditioned theatres in Madras to a minimum of Rs 25 per show for touring theatres.

Gold Dealings Allowed in US

The US President, Mr Gerald Ford signed recently the International Development Association Bill which will allow American citizens to own and deal in gold for the first time since the United States went off the gold standard in the 1930's. The Act specifically amends the par value modification by allowing U.S. citizens to deal in gold as of December 31, 1974. The significant changes with respect in ownership to gold—Americans have been allowed to keep gold coins collections —were contained in the Senate bill for the fourth replenishment of the resources of the International Development Association (IDA) which earmarks $ 1.5 billion to this lending institution.

Seminar on Raw Materials

The union minister for Heavy Industry for Mr T. A. Pai, disclosed recently that it was the government's intention to try a scheme in one or two key industries where the industry will be free to adjust prices in response to variations in the cost of major inputs and government levies. The proposed scheme would operate with specified guidelines but would be subject to a certain amount of surveillance by the government. This, according to him, would enable the government to keep a watch on the validity of utilisation of norms of physical, financial and human resources so that profitability of operations is truly related to the efficiency in performance. Mr Pai was inaugurating a seminar on distribution of raw materials organised by the Delht Factory Owners' Federation (DFOF). Since the shortage of raw materials and other basic infrastructure facilities including power would continue for some time, he called upon industry to maximise the use of substitute materials—for scarce materials such as steel. This would make available critical raw materials for priority and other industries which had neceesarily to depend on them. In his welcome address, Mr V. P. Punj, president of DFOF, highlighted the difficulties faced by industries in getting vital raw materials which had adversely affected production. He pleaded for the formulation of certain norms so that there was a rational and equitable distribution of raw materials, keeping in view the overall shortage.

Foreign Exchange for Consultancy

The Reserve Bank has decided to liberalise its foreign exchange allocation for consultancy exporters. The bank will not insist on letters from countries to be visited by engineering or technical consultants. Branch offices have been asked to deal with applications expeditiously and not to refer them to the central office. In case the applicant is going abroad for the first time or where the RBI branch office is not satisfied with his competence or the need for the visit, he may be asked to produce a letter of recommendation from the Engineering Export Promotion Council at Calcutta. The Secretary of the Council would have to indicate the countries to be visited and the duration of the visit. Foreign exchange will be released on the recommendation of the Engineering Export Promotion Council in snch cases.

The RBI has decided that no application would be rejected without a reference to the Central office. Engineering or technical consultants going abroad on promotional tours would have to submit to the RBI and to Engineering Export Promotion Council a detailed report on the visit indicating the results achieved. The liberalised procedure, which has been introduced at the instance of the Commerce ministry will remain in force for one year after which it will be reviewed.

Coal Industry

The central government has declared with immediate effect the coal industry to be a public utility service for a period of six months under tne Industrial Disputes Act, 1947. The government notification was issued in this regard by the union ministry of Labour.

Evasion of Central Excise

Mr Venkatappaih of Ceatral Excise Review Committee has recommended "selective control" to end evasion of central excise which it has found at present "considerable and extensive." The report of the committee laid on the table of the Lok Sabha recently states that the proposed "selective control" should consist of distinct procedures adapted to different needs. The patterns of control should be based on accounts, production and clearance. This should be named as accounts based control (ABC), production based control (PBC) and clearance based control (CBC). The selective control would be in modification of the self-removal procedure (SRP). No single mould of procedures, including SRP, would suit alike all types of commodities or all forms or sizes of industrial units. The tax system would have to be designed to comprise separate procedure of selective control tailored to meet the distinctive features of the different categories. The commitee has identified the commodities where there is evasion. But it has not found it possible to quantify the extent of evasion.

Names in the News

Mr Chakradhari Agrawal Secretary General of the National Alliance of Young Entrepreneurs (NAYE) has been appointed member of the Small Scale Industries Board of the government of India. He has also been appointed as member of the standing committee on general policy of the board.

COMPANY AFFAIRS

Free trading Resumed

THE BOMBAY Stock Exchange Authorities lifted, with effect from August 20, all restraints on business necessitated by the crash in share values following government's move to restrict dividends and bonus issues in its drive to contain inflation. However, the volume of business is bound to be thin for some time to come as the flow of investible surplus into shares is expected to shrink now that the incentives such as higher dividends and bonus issues have almost disappeared.

Although the Bombay Stock market opened last week on a steady and promising note it gradually lost ground as the week progressed. Reports of Supplementary Railway Budget and the fears of sharp hike in fares and freights to cover the mounting deficit also subdued the sentiment. The hopes entertained by the stock exchange fraternity that some suitable changes would be made in the Ordinance were also shattered as the Companies (Temporary Restrictions on Dividends) Bill introduced in the Lok Sabha on Friday last, did not incorporate any concessions. Yet another factor which added to the bearish sentiment of the market is the announcement of the steep reduction in the buying and selling rates of central loans in the Reserve Bank's open market operations effective from August 19. The redemption yield has been raised by about a quarter per cent. With the reduction in the prices of central loans there will also be a sympathetic reduction in the prices of state loans and guaranteed bonds. The upward revisions in yield rates will certainly be affecting the bank's operations of the gilt-edged portfolio. In case the banks have to disinvest their securities, they will be sustaining a capital loss due to the considerable depreciation in their prices. This apart the banks will be obliged to buy more securities in order to maintain the statutory liquidity ratio.

Jiyajeerao Cotton

Jiyajeerao Cotton Mills Ltd, has suffered a mild setback in its operations during the year ended March 31, 1974. Although sales registered a handsome rise from Rs 39.68 crores to Rs 44.08 crores, gross profit declined to Rs 4.76 crores from Rs 5.98 crores in 1972-73. The dividend for 1973-74 has been reduced to 50 paise per share in view of the dividend ordinance as against Rs 1.10 per share declared for 1972-73. Out of the gross profit, the directors have allotted a sum of Rs 188.98 lakhs to depreciation reserve as against Rs 142.28 lakhs in 1972-73 while the allocation to development rebate reserve was reduced from Rs 39.77 lakhs to Rs 22.58 lakhs. Taxation absorbed Rs 151.00 lakhs as against Rs 239.00 lakhs in the preceding year. The net profit after these allocations amounted to Rs 113.69 lakhs as compared to Rs 176.81 lakhs in 1972-73.

Universal Cables

The directors of Universal Cables have recommended a taxable equity dividend of seven per cent for the year ended March 31, 1974. During the year the company has earned a lower gross profit of Rs 86.99 lakhs as compared to Rs 1.09 crores in 1972-73. Out of the gross profit, the directors have earmarked a sum of Rs 29.18 lakhs to depreciation reserve as against Rs 33.35 lakhs while the appropriation to development rebate reserve was enhanced from Rs 2.10 lakhs to Rs 2.65 lakhs. Taxation claimed Rs 30.50 lakhs as against Rs 41.74 lakhs in 1972-73. The balance of Rs 24.66 lakhs was transferred to the general reserve.

Garware Nylons

Garware Nylons has turned out impressive working results for the year ended March 31, 1974. But the directors have been obliged to maintain equity distribution at 12 per cent, the maximum permissible under the dividend ordinance. The company's gross sales have registered a jump of more than 76 per cent from Rs 7.39 crores to Rs 13.04 crores. While net sales were up from Rs 4.90 crores to Rs 8.56 crores. The gross profit too rose spectacularly by about 108 per cent from Rs 1.49 crores to Rs 3.10 crores. The results achieved assume an added significance in the context of the acute shortage of caprolactum, the principal raw material. It was because of this reason that the company's plant at Pimpri could not work to its full capacity during the year. Meanwhile, the company has been able to achieve considerable progress in the implementation of its polyester filament yarn project, and the plant, which will have an annual production capacity of 360 tonnes, is now expected to go on stream in the second quarter of 1975. Besides, it is engaged in negotiations with the government of Malaysia for setting up a joint venture for the manufacture of fabrics from man-made fibres in that country. It has also undertaken a project for the recovery of caprolactum from ploymer waste and is planning to install two diesel generating sets. It also plans to invest along with other companies in the group up to Rs 9.50 lakhs in Blundell Eomite Paints.

Larsen and Toubro

Despite shortages of critical raw materials, severe power



THE LATEST IN PORTABLE GAS CUTTING MACHINES

With a cutting range of up to 150mm



CHEETAH

(Solid State Control)

With a cutting range of up to 150 mm, Solid State Control, and many more specially developed features, Cheetah offers advantages worth investing in.

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Indian Oxygen Limited

technology for tomorrow

Century Rayon

AN EXAMPLE OF SOCIAL RESPONSIBILITY

Century Rayon sets an example to other large corporations by its policy of synthesising service to the community, fulfilment of its obligationsto the employees, the customers and the shareholders. And yet, you will be surprised, it is making the highest contribution to the national exchequer by way of tax payments as well as foreign exchange savings and earnings.

In spite of runaway inflation in the cost of raw materials and other inputs such as labour, spares, fuel and water, Century Rayon sets another example by holding the priceline for its products.

PROFESSIONAL MANAGEMENT:

Besides the philosophy, the secret lies in its professional management. Maximum decentralisation and delegation of authority and responsibility, has built an outstanding team of managers and workers, with a completely autonomous decision making processin each of its segments.

ASSISTING AUXILIARY AND ANCILLARY INDUSTRIES:

Century Rayon believes in supporting a number of small entrepreneurs. Rightly so. And it has become a benign big brother to a number of auxiliary and ancillary industries. It is helping them in three segments, viz. a) the small scale suppliers; b) the small processors who use Century's bye-products and waste products; c) a large nation-wide community of small weavers dependent on Century's supply of yarn. Century Rayon is helping them in three ways— a) by providing finance; b) by giving technical assistance; c) by helping them in marketing.

THE NATIONAL EXCHEQUER:

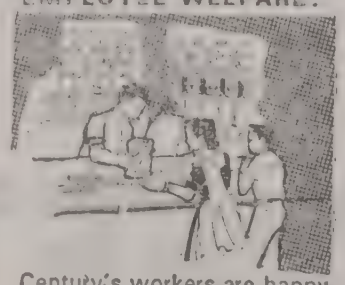
How much do you think Century Rayon is paying by way of taxes? To the tune of Rs. 8 crores in excise duty and other levies, over and above the income tax paid by the parent company, Century Spinning & Manufacturing Co. Ltd., to the extent of Rs. 7 crores per year.

EXPORTS.

Why is it that the Century Rayon Tyrecord is equal to the world's best?

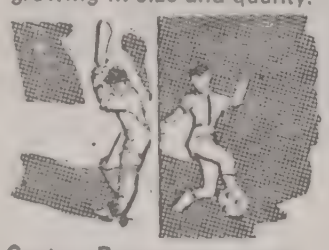
The testimony is constantly rising exports to sophisticated international markets. The total foreign exchange earning including Rayon Fabrics & Chemicals so far exceeds Rs. 5 crores.

EMPLOYEE WELFARE:



Century's workers are happy because of one of the finest housing colonies provided to them, along with a club house, a cooperative bazar and a credit society. They enjoy the best educational facilities for their children, consisting of primary and secondary schools and a college for Arts, Science and Commerce. Its medical care is unique, with a full fledged 50 bed hospital, and free medicine.

Recreation, too, is dear to its heart. Vast playgrounds, beautiful swimming pools and gardens, a large library, its own network of roads and water works and, to top it all, one of the finest temples in a sublime atmosphere-all these amenities constantly growing in size and quality.



Century Rayon encourages sports both for the amateur and the seasoned sportsman. Century's sports teams have been winning many a laurel on the playgrounds.

CREATING EMPLOYMENT:

In today's context, Century Rayon's contribution is significant, by providing employment to over 6,000 workers directly, and supporting an entire township dependent on it.

INDUSTRIAL RELATIONS:

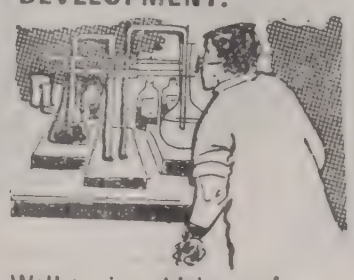
What would you say for a record of more than sixteen years of uninterrupted production, without losing a single manhour due to strike or strife? Relations with the employees are exemplary because of a direct, frank and honest rapport with them across the table, without external intervention.

COMMUNITY SERVICE.



In times of calamities like earthquakes, wars, droughts and floods, Century Rayon has sprung to the call of duty voluntarily extending not only financial help but also providing volunteers and other relief measures.

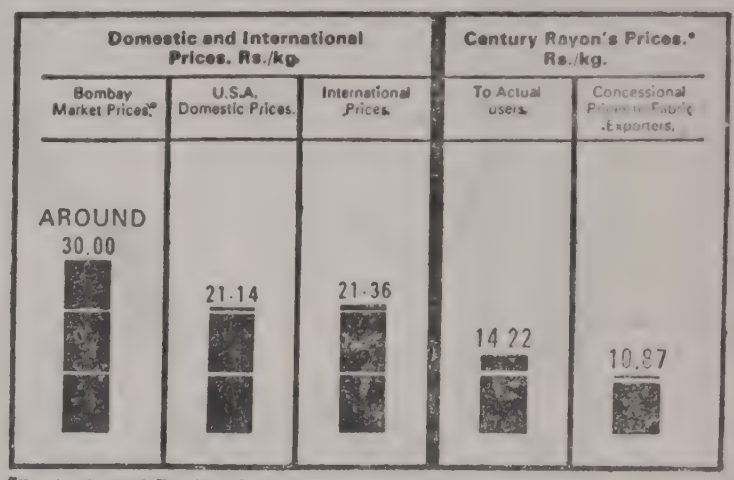
RESEARCH AND DEVELOPMENT.



Well equipped laboratories and a team of dedicated scientists and technicians ensure the position of leadership for Century Rayon—be it the finest rayon filament yarn or the toughest, improved rayon tyre cord.

HOLDING THE PRICE–LINE AND ENSURING FAIR DISTRIBUTION.

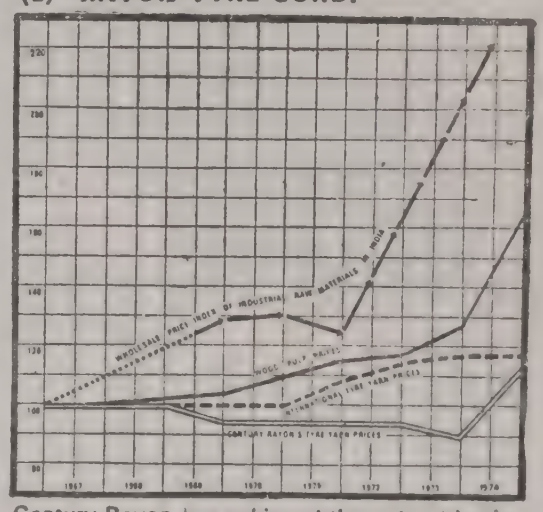
(1) RAYON FILAMENT YARN.



Exclusive of Excise duty

Very rigidly adhering to the Voluntary agreement between Viscose Rayon Spinners and Weavers, Century Rayon is selling approximately 60% of its production directly to Actual Users et the low price of Rs. 14.22 per kg. and an additional 20% directly to exporters of Rayon Fabrics, at a substantially low price of Rs. 10.87 per kg.

(2) RAYON TYRE CORD.



Century Rayon has achieved the twin objectives of maintaining the price of Tyre Cord below the international level and supplying directly to Actual Users.

CAUSTIC SODA.

To meet the needs of genuine users in the present acute shortage conditions, Century Chemicals is following a policy of supplying the entire production to Actual Users on the basis of past offtake, at fair prices.

CENTURY RAYON

Industry House, 159, Churchgate Reclamation, Bombay 400 020.

CENTURY CHEMICALS

CONCEPT-CR-1503 R

trictions and other unprece-
nted difficulties Larsen &
ubro group was able to
intain its unbroken record
the fields of production,
nover, profits and backlog
orders. The turnover of
L & T group scaled to a
w peak and touched the
ndsome figure of Rs 681
llion during the year ended
arch 31, 1974, recording a
n of Rs 102 million over
72-73. Of the total group
es of Rs 681 million, the
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438 million as against Rs
2 million in the previous
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vice organisation had been
bedrock of the success of
e company and one of the
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owth. Following the agree-
nt with Hindustan Brown
veri Ltd the company is
w handling the sales of
eir electric motors and acting
their selling agents for their
her products such as switch-
ar and electrical furances for
e steel industry. Export sales
L & T group more than
bled to Rs 54 million in
1973-74, registering a signifi-
cent improvement of Rs 38
million over 1972-73.

A landmark of the year was the handing over of the nuclear reactor vessel—the first ever to be made in the country —to the Rajasthan atomic project. It is heartening to note that this reactor vessel has received an even higher rating than the one imported earlier from Canada. The company also completed fabrication and erection of an exchange unit tower for the heavy water project at Kota, Rajasthan. This is the first of eleven such towers to be made by the company for this project. To Madras Cements Ltd the company is supplying again India's largest dry process Kiln which is being made, in the country for the first time under licence from F. L. Smidth & Co. A/S of Denmark. The entire plant for Skol Breweries was set up by company on a turnkey basis. The plant had been commissioned and is working satisfactorily. The company has orders on hand for other breweries. The Larsen & Toubro and its subsidiary, Engineering Construction Corporation have been playing a notable role in fabricating plant and equipment and constructing facilities for the huge complex of Southern Petrochemical Industries Corporation (SPIC) at Tuticorin. For SPIC, L & T manufactured the largest CO_2 absorber and vertocoke regenerator yet made in the country. The company is also developing a new line of packaging machinery. These machines are being indigenously designed and manufactured.

Considerable capital is also being invested in the project for the manufacture of multi-purpose hydraulic excavators and high pressure hydraulic systems in technical collaboration with Poclain, S. A. of France. Land for this project has already been acquired at Bangalore and the prospects for this venture are considered excellent. A noteworthy feature is that the company has been able to finance all its expansion plans and meet its financial committments without undue strain.

The working of the company during the year has resulted in a gross profit of Rs 552.12 lakhs as compared to Rs 489.22 lakhs in 1972-73. Out of the gross profit, the directors have appropriated a sum of Rs 77.81 lakhs to depreciation reserve, Rs 19.00 lakhs to development rebate reserve, Rs 3.82 lakhs towards gratuity and Rs 240.00 lakhs for meeting tax liabilities as against Rs 84.02 lakhs, Rs 17.80 lakhs, Rs 47.95 lakhs and Rs 161.00 lakhs provided respectively in 1972-73. This leaves a surplus of Rs 211.49 lakhs and the entire amount was transferred to the general reserve. The directors have recommended an equity dividend of 15 per cent for 1973-74. But in view of the ordinance the actual amount which the company can declare as equity dividend will be decided at the annual general meeting to be held on September 3.

Plans are afoot to strengthen the manufacturing base

THE INDIAN RAYON CORPORATION LTD.

INDUSTRY HOUSE
159 CHURCHGATE RECLAMATION
BOMBAY-400 020

Manufacturers of :

Quality Viscose Rayon Yarns
Bright and Coloured.

on the company so as to meet the expanding needs of the priority industries, to devote larger portions of resources to research and development and to strive still more vigorously for new export markets. Barring majore economic dislocations, the company is expected to continue its growth at a rapid pace in the years to come.

JK Synthetics

J. K. Synthetics is further expanding and diversifying its activities. It has applied for a further increase in capacity of synthetic staple fibre plant to 2650 tonnes per annum. Its proposal for expansion of production capacity for nylon tyre cord to 1600 tonnes per annum has already been approved by the government. Besides the company has secured a contract for supplying plant and machinery and technical know-how to the Indian Petrochemical Corporation Ltd. for its polyester yarn plant along with a west German firm with which it has entered into a collaboration for the manufacture of machinery for the production of synthetic fibres. The technical collaboration agreement with an Italian firm for the acrylic fibre project has been approved and steps are being taken to implement the project. The company could not, however, implement its cement project as per schedule due to delayed supply of plant and machinery. The plant and machinery has since been received and the project is expected to go on stream shortly. It has been granted a letter of intent to expand its cement capacity by 4.20 lakh tonnes to 6.72 lakh tonnes per annum. The company is also setting up a synthetic fibre plant in Kenya with a capacity of 5.3 tonnes of synthetic yarn per day. It has received the necessary approval from the Kenya government as well as the government of India for this joint venture. Besides the company's activities are intended to be further diversified for the manufacture of fertilizers, raw materials for synthetics fibres, industrials gases, caprolactum and methanol. The objects clause of the memorandum of association is, therefore, being amended accordingly.

Standard mills

The directors of the Standard Mills have decided to drop their earlier proposol to issue one-for-four bonus issue for the time being. Mr Arvind N. Mafatlal, chairman, told shareholders at the company's annual general meeting held recently in Bombay that according to the revised guidelines for issue of bonus shares, the company will be able to issue bonus shares only by the end

6 per cent State Government Loans, 1984

State	Amount of Loan (In crores of Rs)	State	Amount of Loan (In crores of Rs)
1. Andhra Pradesh	16·25	9. Madhya Pradesh	9·50
2. Assam	7·75	10. Maharashtra	16·25
3. Bihar	14·00	11. Orissa	13·00
4. Gujarat	16·25	12. Punjab	12·00
5. Haryana	11·25	13. Rajasthan	16·25
6. Jammu & Kashmir	2·25	14. Tamil Nadu	16·25
7. Karnataka	16·25	15. Uttar Pradesh	16·25
8. Kerala	8·25	16. West Bengal	13·50

All the above loans will be issued at Rs. 99.00 per cent and will open for subscriptions on Tuesday, 27th August 1974 and close on Saturday, 31st August 1974 or earlier without notice as soon as subscriptions approximate to the amount of each issue. All the State Governments reserve their right to retain subscriptions upto ten per cent in excess of the notified amounts.

The loans will be redeemable at par after 10 years i.e. on 27th August 1984 and interest will be paid half-yearly on 27th February and 27th August each year. Interest in respect of all loans will be liable to tax under the Income-tax Act, 1961. Interest on Government securities along with income in the form of interest or dividends on other approved investments will be exempt from Income-tax subject to a limit of Rs. 3,000/- per annum and subject to other provisions of Section 80L of the Income-tax Act, 1961.

The value of investments in the Loans now issued together with the value of other previous investments in Government securities and the other investments specified in Section 5 of the Wealth Tax Act, 1957 will also be exempt from the Wealth Tax upto Rs. 1,50,000/-.

Subscriptions may be in the form of CASH/CHEQUE.

Securities of the following loans will also be accepted AT PAR for conversion into the new loans of the respective State Governments:—

Name of the loan tendered for conversion	Name of the new loan issuable
1. 4½% Andhra Pradesh State Development Loan, 1974	6% Andhra Pradesh State Development Loan, 1984.
2. 4½% Assam Loan, 1974	6% Assam Loan, 1984.
3. 4½% Bihar State Development Loan 1974	6% Bihar State Development Loan 1984.
4. 4½% Gujarat State Development Loan 1974	6% Gujarat State Development Loan 1984.
5. 4½% Kerala State Development Loan 1974	6% Kerala State Development Loan 1984
6. 4½% Madhya Pradesh State Development Loan 1974	6% Madhya Pradesh State Development Loan 1984
7. 4½% Madras Loan 1974	6% Tamil Nadu Loan 1984
8. 4½% Maharashtra State Development Loan 1974	6% Maharashtra State Development Loan 1984
9. 4½% Mysore State Development Loan 1974	6% Karnataka State Development Loan 1984
10. 4½% Orissa Government Loan 1974	6% Orissa Government Loan 1984
11. 4½% Punjab Loan 1974	6% Punjab Loan 1984
12. 4½% Rajasthan State Development Loan 1974	6% Rajasthan State Development Loan 1984
13. 4½% Uttar Pradesh State Development Loan 1974	6% Uttar Pradesh State Development Loan 1984
14. 4½% West Bengal Loan 1974	6% West Bengal Loan 1984

If the cash value of the securities tendered for conversion is not an exact multiple of the issue price per cent of the new loan the tenderer will receive in cash at the time of issue of the new securities the amount by which the value of the securities tendered exceeds the nearest lower multiple of the issue price. Interest on the securities accepted for conversion will be paid at the rate of 4½% per annum upto and inclusive of 26th August 1974.

Applications *for all the loans* will be received at the offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna and the State Bank of Bikaner and Jaipur at Jaipur.

Applications will also be received *at other places within the* respective States as follows:

(i) Branches of the Subsidiary Banks of the State Bank of India conducting Government treasury work except at Hyderabad;

(ii) Branches of the State Bank of India at places where there is no branch of its Subsidiary Banks conducting Government treasury work; and

(iii) In the case of Jammu & Kashmir loan, applications will be received at branches of the Jammu & Kashmir Bank within the State of Jammu & Kashmir and branches of the State Bank of India where there is no branch of Jammu & Kashmir Bank.

Applications for Kerala State Development Loan will also be received at Treasuries and Sub-treasuries in the State of Kerala at places where there is no branch of the State Bank of India or its subsidiaries conducting Government treasury work. Applications for Uttar Pradesh State Loan will also be received at the District Treasury, Chamoli.

Applications for Punjab and Haryana State Government Loans will also be received at the State Bank of India, Chandigarh.

Copies of the Notifications and Application Forms may be obtained from any of the Receiving Offices mentioned above.

In the event of over-subscription to the loan applied for, applicants tendering applications at the offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna will be given the option of transferring their cash refunds to any other State Government loan which may still be open for subscription. To avail themselves of this facility, applicants should complete the "Special Option Form", copies of which can be obtained at any of the offices of the Reserve Bank of India mentioned above and tender the form along with their applications

his year. In terms of the nance restricting dividends company's equity dividend been reduced from 20 per , as originally proposed, to er cent, the maximum per-ible. The working of the pany in the first four ths of the current year is ouraging. Total turnover amounted to Rs 17.68 es compared to Rs 13.24 es in the same period of preceding year, an increase 34 per cent. Sales of tax-s have amounted to Rs 87 crores as against Rs 2 crores and those of chemi-s to Rs 4.80 crores as com-ed to Rs 3.51 crores. The npany has started a seven-y week in one of its Bombay its. Exports have shown an couraging trend in the cur-nt year. The export of che-cals, in particular, is consi-red promising. Mr Mafatlal s, however, warned share-lders that the trend of work-g observed so far might not ntinue in the remaining part the current year due mainly various uncertainties in the onomic front. While there no difficulty regarding cot-n, the possible impact of the arious government measures akes it difficult to predict xactly the trend in the remain-g part of the year.

Macneill and Barry

The board of directors of Macneill and Barry Ltd and Williamson Magor and Com-any Ltd have decided to nerge under a scheme of amal-gamation, subject to the appro-al of the Calcutta High Court. The scheme it is earned, provides for allot-ment of one equity share of Rs 100 each of Macneill and Barry to holders of four equity shares of Rs 10 each of Williamson Magor. The hol-ders of 9.3 per cent cumulative preference shares and 9.5 per cent R. C. preference shares of Rs 100 each of Williamson Magor will be allotted prefe-rence shares of Macneill and Barry of the same class, value and carrying the same rate of dividends. After the proposed allotment of shares of Macneill and Barry to the shareholders of Williamson Magor, the paid-up equity capital of the former will increase by Rs 1.24 crores and preference capital by Rs 25 lakhs. On the completion of the amalgamation, Macneill and Barry will be the continuing company and it will be suitably altered to embrace the names of both the merging compa-nies. In recent years, Macneill and Barry has undertaken a significant diversification into the engineering industry which, it is expected, will provide an outlet for Williamson Magor's considerable capital resources.

News and Notes

Rane Brake Linings has decided to issue right shares of Rs 10 each at par in the pro-portion of one for two. The proceeds of the issue will be utilised for financing its expan-sion programme which envisa-ges enhancing of the licensed capaciiy from 960 tonnes to 2000 tonnes of brake and clutch linings per annum. The permission has been received on condition that it should export 25 per cent of the addi-tional production. The com-pany will set up another plant at Hosur, in Tamil Nadu for this expansion. The total outlay is estimated at Rs 1.6 crores.

Kesoram Industries and Cotton Mills Ltd. has decided to issue bonus shares to the existing shareholders in the ratio of one new share for every two shares held. The proposal is, however, subject to the approval of the share-holders and the consent of the Controller of Capital Issues.

Bayer (India) is seeking the permission of the government for the payment of 20 per cent dividend for the year ended December 1973. The conten-tion of the company is that the dividend of 20 per cent was declared at the annual general meeting on June 19 last and dividend warrants to the shareholders were to be despatched on July 4 and 5. This, however, was not effected as the office was closed during this period due to torrential rains in Bombay. The Dividend Ordinance was issued only on July 6.

New Issues

Universal Plast is offering to the public for subscription for cash at par 368,000 equity shares of Rs 10 each. The subscription list opens on September 24 and will close on October 5 or earlier but not before September 28. The company is setting up a plant at Ghaziabad in Uttar Pradesh for the manufacture of 1500 tonnes of PVC Sheets per annum. The plant is expected to commence trial production in December and start com-mercial production by January 1975. The venture is claimed to be first of its kind in nor-thern India, and it is hoped that the entire production will be consumed in the northern region, most of it in Delhi alone. The project is estimated to cost Rs 142 lakhs and it will be financed by the equity capital of Rs 60 lakhs, long-term loans of Rs 68 lakhs and unsecured loans and deposits of Rs 14 lakhs. As there is a wide gap between demand and supply the company does not anticipate any difficulty in marketing its products. Bar-ring unforeseen circumstances the directors are confident of declaring a dividend of 10 per cent from the very first year of commercial production. The dividend would be stepped up to 12 per cent in 1976 and to 15 per cent in 1977.

Southern Borax will be entering the capital market some time in October with a public issue of 1,96,000 equity shares of Rs 10 each at par. Arrangements are being made to get the entire public issue

Dividends

Revised Dividends (per cent)

Name of the company	Year ended	Equity dividend declared: Before ordinance	After ordinance
Elecon Engineering	Dec. 31,1973	11.0	6.0
Premier Mills	March 31,1974	25.0	12.0
Fuel Injections	Dec. 31,1973	9.0	4.75
Paper Mill Plant	March 31,1974	12.0	6.0
Raja Bahadur Motilal Mills	Dec. 31,1973	10.0	7.0
Travancore Electro-Chemical	Dec. 31,1973	15.0	7.5
Tak Machinery	March 31,1974	11.0	7.0
Indian Dyestuff	March 31,1974	16.0	10.50
Ambica Silk	Dec. 31,1973	10.0	4.0

Dividend Announcements (Per cent)

Name of the company	Year ended	Equity dividend declared for: Current year	Previous year
Higher Dividend			
Ahmedabad K-I-Hind	Dec. 31,1973	21.0	18.0
New Jahangir Vakil	Dec. 31,1973	15.0	12.5
Pudumjee Pulp and Paper	Dec. 31,1973	12.5	10.0
J.K. Cotton Spinning & Weaving	Dec. 31,1973	6.0	Nil
Puthutottam Estates	March 31,1974	7.5	6.0
Same Dividend			
Basant Cotton	Dec. 31,1973	Nil	Nil
Bharat General & Textile	March 31,1974	Nil	Nil
Coimbatore Spg. Wvg.	Dec. 31,1973	Nil	Nil
Punalur Paper Mills	Dec. 31,1973	Nil	Nil
Oriental Power Cables	May 31,1973	Nil	Nil
Reduced Dividend			
Kil Kotagiri	March 31,1974	2.5	10.0
Periakaramalai	March 31,1974	9.0	16.0
Ramon & Demm	March 31,1974	8.0	10.0
Kalasa Tea	March 31,1974	12.0	16.0

Licences and Letters of Intent

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951 during the weeks ended April 6 to April 27, 1974. The list contains the names and addresses of the licensees articles of manufacture, types of licences—New Undertaking (NU), New Article (NA), Substantial Expansion (SE), Carry on Business (COB); Shifting—and annual installed capacity. Details regarding letters of intent revoked, cancelled or surrendered are also given.

Licences Issued

(During the week ended April 6, 1974)

Metallurgical Industries (Ferrous)

M/s Poysha Industrial Co. Ltd; Nehru House, 4-B, (During the week ended April 6, 1974) Bahadur Shah Zafar Marg, New Delhi-1—(Thana-Maharashtra)—Metal Battery Jackets and Components—40 mill. nos. p.a—(NA)

Shri Amritlal Gupta, Care M/s Tirathram Kashmirilal (India) Pvt. Ltd; 229-Sant Tuka Ram Road, Iron Market, Bombay-9—(Nasik-Maharashtra)—Hollow & Solid extruded sections from high carbon and alloy steels and other hard metals—1000 tonnes p.a.—(NU)

Shri Parimal Mookerjea, 221, Rashbehari Avenue, Calcutta-19—(Hoogly-West Bengal)—Mild Steel Ingots—23,000 tonnes p.a—(COB)

Electrical Equipment

M/s Madhya Pradesh Lamps Ltd; Maheshwari Bhavan, Civil Lines, Bhopal—(Hoshangabad—M.P.)—GLS Lamps—6 mill. nos. p.a; Fluorescent Lamps—1 mill. nos. p.a—(NU)

Shri Kesto Kumar Saha, 203/5, Jagdeesh Bose Road, Calcutta—(EPZ-Santa Cruz-Maharashtra)—Mica Capacitors & Parts thereof—72 mill. pieces p.a—(NU)

M/s Haryana State Industrial Development Corporation Ltd; P.N.B. House, P.B. No. 22, Sector-17, Chandigarh—(Chandigarh-Haryana)—Television Sets—5,000 nos. p.a—(NU)

Industrial Machinery

M/s Mukund Iron & Steel Works Ltd; Express Tower, 3rd Floor, Nariman Point, Bombay—(Kalwe, Thana, Maharashtra) Reclaiming Scrappers—6 nos. per annum after expansion—(SE)

Earth Moving Machinery

M/s Jessop & Co. Ltd; 63, Netaji Subhash Road, Calcutta-1—(Dum Dum-West Bengal)—Diesel Road Rollers—1200 nos. p.a—(SE)

Medical and Surgical Appliances

M/s Jintan Clinical Thermometer Company (India) Pvt. Ltd; Surendranagar—(Surendranagar-Gujarat)—Clinical Thermometers—40,08,000 nos. p.a—(SE)

Chemicals

M/s Rukmani Metals & Gaseous Ltd; L-14, Connaught Circus, New Delhi-1—(Nagpur-Maharashtra)—Oxygen—10,00,000 C. Metres; Acetylene—1,00,000 C. Metres—(NU)

Drugs & Pharmaceuticals

M/s Burroughs Wellcome & Co. (I) Ltd; 16-Bank Street, Bombay—(Bombay-Maharashtra)—Trimethoprim—3,600 Kgs; Tablets (adult dosage) (80 Trimethoprim and 400 mgs. sulphamethasazole) Paediatric (20 mg. Trimethoprim and 100 mg. sulphamethasazole) (Septram)—260 lakh tablets; Liquid preparations (suspension/syrup)—(40 mg. Trimethoprim and 200 mg. Sulphamethasazole per 5 ml.)—65 Kilo Litres—(NA)

Textiles

M/s Assam Industrial Development Corporation Ltd; Kannachal Road, Silpukhuri, Gauhati—(Gauhati-Assam)—Card Board—6,000 tonnes p.a—(NU)

M/s Bojrap Textile Mills Ltd; Sitalakshmi Mills Premises Tirunagar, (Madurai-Tamil Nadu)—Cotton Cloth—300 looms—(SE).

Sugar

The Managing Director, The Nizam Sugar Factory Ltd Post Box No. 1, Khairlabad, Hyderabad—(Alampur, Mehboobnagar, Andhra Pradesh)—Sugar—1,250 tonnes of Cane Crushing capacity per day—(NU)

M/s Kothari Sugars & Chemicals Ltd; Kothari Buildings No. 20, Nungambakkam High Road, Madras-34—(Kattur, Lalgudi, Tiruchirapalli, Tamil Nadu)—Sugar—4,000 tonnes p.a—(SE)

Leather and Leather Goods

M/s M. Bilal Hussain & Company, 11-Perambur High Road, Madras-12—(Vaniyambadi, North Arcot, Tamil Nadu)—Finished Leather from Hides—15,000 nos. p.a.; Wet Blue Chrome Tanned Hides and Calf Skins—26,000 nos.; Reptile Skins (Tanned/finished)—78,000 nos. p.a—(NA)

Letters of Intent

(During the week ended April 6, 1974)

Metallurgical Industries (Non-Ferrous)

M/s Shalimar Wires & Industries Ltd; 27-A, Camac Street, Calcutta-16—(Nasik-Maharashtra)—Nickel Silver Strips—200 tonnes—(NU)

Shri B. K. Burman, 6-Tiljala Road, Calcutta-46—(Burdwan-West Bengal)—Nickel Silver Strips—200 tonnes—(NU)

M/s Mitoo Consultants (P) Ltd; 7-Waterloo Street, Calcatta-1—(Golkunda, Medhak, A-Pradesh)—Nickel Silver Strips—200 tonnes—(NU)

M/s Coventary Metals Rajasthan Pvt. Ltd; Babuji-Ki-Kothi Nirvan Marg, Jaipur—(Jodhpur-Rajasthan)—Nickel Silver Strips—200 tonnes—(NU)

M/s Braloo Metal Industries Pvt. Ltd; Gupta Mills Estate, Darukhana, Reay Road; Bombay—(Bombay-Maharashtra)—Nickel Silver Strips—200 tonnes—(NU)

Smt. Sashi Balkrishan, 74-Marine Drive, Bombay—(Panchmahal, Gujarat)—Nickle Silver Strips—200 tonnes (NU)

Electrical Equipment

M/s Tube Light Starters Mfg. Co., 3/2, Bhagwan Gangul Lane, P.B. No. 27, Howrah—(Howrah-West Bengal)—Aerodrome Runway, Series Lamps & Airport Lighting Bulbs—(NA)

Telecommunication

M/s Bush India Limited, Sukh Sagar, N. S. Patkar Marg, Bombay—(Thana-Maharashtra)—Car Radios—1,00,000 nos. p.a—(SE)

Transportation

Shri Ramesh R. Gupta, 32, Sakhar Building, B. Road, Churchgate, Bombay-20—(Tarapur-Maharashtra)—Gaskets—20 mill. nos. p.a.—(NU).

M/s Delhi Cloth & General Mills Co. Ltd; Naaz Bldg; 1-Jhandewalan, New Delhi—(Kota—Rajasthan)—Ammonia—6,45,500 tonnes p.a.; Urea—9,90,000 tonnes p.a—(SE)

Chemicals (Other than Fertilizers)

Shri S. N. Agarwal, M/s Prag Ice & Oils Mills, Aligarh—(Aligarh-UP)—Synthetic Detergents—10,000 tonnes p.a—(NU)

M/s Bengal Chemicals & Pharmaceuticals Works Ltd; 6-Ganesh Chandra Avenue, Calcutta—(West Bengal)—Synthetic Detergents—10,000 tonnes p.a.—(NU)

M/s Kamani Industrial Enterprises, 1501, Bhagirath Palace, Chandni Chowk, Delhi-6—(Dewas/Madhya Pradesh)—Pentaerythritol—1,800 tonnes p. a. Acetaldehyde (Captive Plant)—450 tonnes p.a—(NU)

M/s Calcutta Chemicals Co. Ltd; 35, Pantitiya Road, Calcutta—(West Bengal)—Synthetic Detergents—10,000 tonnes p.a—(NU)

Shri J. Patnaik, Library Road, Baripada, Dist: Mayurbhanj, Orissa—(Orissa)—Synthetic Detergents—10,000 tonnes p.a—(NU)

Shri Vasant M. Pai, c/o Union Home Products, Beloor, Mangalore—(Karnataka)—Synthetic Detergents—10,000 tonnes p. a—(NU)

Drugs and Pharmaceuticals

M/s Unichem Laboratories Ltd; 4, 5, 6, Jogeshwari Estate, Jogeshwari (West), Bombay-60—(Maharashtra)—Dimethyl Siloxane B. P—30 tonnes p. a—(NA)

Paper & Pulp

Shri Prithvi Raj Maheshwari, No. 10-Greater Kailash, New Delhi—(Bulandshahar-UP)—Paper & Pulp (Kraft and other packing and wrapping papers)—6,600 tonnes p.a—(NU)

M/s Andhra Pradesh Industrial Development Corporation Ltd; Shakar Bhavan, Ground Floor, B-I-174, Fateh Maidan Road, Hyderabad—(Kurnool-Andhra Pradesh)—Paper Grade Pulp and Writing and Printing Paper—35,000 tonnes p.a—(NU)

Vegetable Oils & Vanaspati

M/s Ashwin Industries, Samalaya, Baroda, Gujarat—(Samalaya-Baroda-Gujarat)—Cotton Seed Oil—30,000 tonnes in terms of seeds p. a—(NA)

M/s Sohil Raj Industries, Nirmalnagar, Bhavnagar—(Bhavnagar-Gujarat)—Cotton Seed Oil—18,000 tonnes in terms of seeds p. a—(NA)

M/s Kothari Oil Products Co; Jetpur Road, Gondal—(Gondal-Gujarat)—Cotton Seed Oil—15,000 tonnes in terms of seed p.a—(NA)

Shri Bhaskar Bhai Dahyabhai Patel, Vasant Fatehganj, Baroda-2—(Broach-Gujarat)—Cotton Seed Oil—30,000 tonnes in terms of seeds p.a.—(NU)

M/s Antler Oil Industries, c/o Valtex Industries, 4/24, Industrial Estate, Gorwa Road Baroda—(Gujarat)—Cotton Seed Oil—20,000 tonnes in terms of seeds p.a—(NU)

Shri M. Ramana Reddy, 6-3-1096/1, Somajiguda, Hyderabad—(Devarkonda, Nalgonda, Andhra Pradesh)—Castor Oil—25,000 tonnes in terms of castor seeds p.a—(NU)

M/s Rajasthan Oil Industries, K-60, Jangpura Extension, New Delhi—(Jaipur-Rajasthan)—Cotton Seed Oil—30,000 tonnes in terms of seed p. a—(NU)

Shri V. P. S. A. Paramasivam, 35, M. C. C. Street, Virudhunagar—(Madurai-Tamil Nadu)—Cotton Seed Oil—20,000 tonnes in terms of seeds p.a—(NU)

M/s Rayalaseema Oil Industries, Sebastian Road, Kurnool—(Kurnool-Andhra Pradesh)—Cotton Seed Oil—30,000 tonnes in terms of seeds p.a—(NU)

M/s Swaika Vanaspati Products Ltd; 18-B, Brabourne Road, Calcutta-1—(Howrah-West Bengal)—Cotton Seed Oil—30,000 tonnes in terms of seeds p. a—(NA)

M/s Doyapore Tea Co Ltd; 20, Sir R. N. Mukherjee Road, Calcutta—(Maharashtra)—Cotton Seed Oil—60,000 tounes, in terms of seeds p.a—(NA)

M/s Cotmac Pvt Ltd; Lamington Road, Hubli—(Hubli-Karnataka)—Cotton Seed Oil—36,000 tonnes in terms of seeds p.a—(NU)

M/s Ashok Industries, Dalipnagar, Ratlam—(Ratlam-Madhya Pradesh)—Cotton Seed Oil—15,000 tonnes in terms of seeds p.a—(NU)

M/s Jain Shudh Vanaspat Ltd; D-18, Connaught Place, New Delhi—(Ghaziapad-UP)—Cotton Seed Oil—30,000 tonnes in terms of seeds p.a—(NA)

M/s Premier Vegetable Products Ltd; 95, Industrial Area, Jhotwara, Jaipur—(Jaipur-Rajasthan)—Cotton Seed Oil—18,000 tonnes in terms of seeds p.a—(NA)

M/s Sankar Solvent Oil Mills (P) Ltd; Madras Dock Labour Board Building, 4th Floor, North Beach Road, Madras-1—(Sattur, Ramnad, Tamil Nadu)—Cotton Seed Oil—15,000 tonnes in terms of seeds p. a—(NU)

M/s Keeran Vegetable Products Ltd; Circular Road, Bhiwani—(Bhiwani-Haryana)—Cottod Seed Oil—11,250 tonnes in terms of seeds p.a—(NU)

M/s Rajasthan Vanaspati Products (P) Ltd; Hamirgarh Road, Bhilwara—(Bhilwara-Rajasthan)—Cotton Seed Oil—20,000 tonnes in terms of seeds p.a—(NA)

M/s Maddi Lakshmiah & Co (P) Ltd; Post Box No 18, Guntur—(Chirala—Andhra Pradesh)—Cotton Seed Oil—20,000 tonnes in terms of seeds p.a—(NU)

M/s Balaji Enterprises, 15-2-323, Kishangunj, Hyderabad—(Adilabad-Andhra Pradesh)—Cotton Seed Oil—15,500 tonnes in terms of seeds p.a—(NU)

M/s The Vijaya Durga Cotton Trading (P) Ltd; Etukurn Road, Guntur—(Guntur-Andhra Pradesh)—Cotton Seed Oil—15,500 tonnes in terms of seeds p.a—(NU)

M/s Jayalakshmi Cotton & Oil Products (P) Ltd; Amaravati Road, Gorantala Village Limits, Guntur—(Guntur-Andhra Pradesh) Cotton Seed Oil—20,000 tonnes in terms of seeds p.a—(NU)

Rubber Goods

M/s Akron Rubber Industries, 134, Dhirubhai Parikh Marg, Kalbadevi Road, Bombay—(Bhivandi, Thana, Maharashtra)—Scooter Tyres & Tubes—4,50,000 nos each p.a—(NU)

Cement & Gypsum Products

M/s Saurashtra Minerals Pvt Ltd; East Kadia Plots, Porbander—(Porbander, Junagadh, Gujarat)—White Cement—45,000 tonnes—(NU)

M/s Orissa Cement Ltd; Shiv Mahal, B-45/47, Connaught Place, New Delhi—Rajganjpur, Sundergarh, Orissa)—Portland Blast Furance Slag Cement—5,99,000 tonnes p.a—(SE)

Change in Names of Owners or Undertakings

(During the week ended April 6, 1974)

(Information pertains to particular licences only)

The Secretary. to the Government of Nagaland—to—M/s Nagaland Sugar Mills Co Ltd; Dimnpur.

M/s Pilsner Breweries India Limited —to—M/s Arlem Breweries Limited.

Letters of Intent Revoked or Surrendered

(During the week ended Apri 6, 1974)

(Information pertains to particular licences only)

M/s Nuchem Engineering Limited, 54, Industrial Area, Faridabad (NIT)—(Haryana)—Thermoplastic Extruders & Post Extrusion Equipment.

Licences Issued

(During the weeks ended April 11 and 20, 1974)

Metallurgical Industries (Ferrous)

M/s Poysha Industrial Co Ltd; 4, Bahadurshah Zafar Marg, New Delhi-1—(Ghaziabad-UP)—Metal Battery Jackets & components thereof—40 mill nos. per annum—(NA)

M/s Poysha Industrial Co Ltd; Tiecicon House, Dr E. Moses Road, Bombay-1—(Cochin-Kerala)—Metal Battery Jackets and Components thereof—150 mill nos p.a—(NA)

M/s Rolta Industries Pvt Ltd; Roltn Nagar, Agra-Bombay Road, Indore—(Dewas-Madhya Pradesh)—Mild Steel Ingots—18,000 tonnes p.a—(COB)

M/s Dewas Steel Ltd; Jeevan Tara Building, 1st Floor, 5-Parliament Street, New Delhi—(Bilaspur—Madhya Pradesh)—Mild Street Ingots—18,000 tonnes p.a—(COB)

Shri Sushil Ansal, 115, Ansal Bhavan, 16, Kasturba Gandhi Marg, New Delhi—(Malerkotla-Punjab)—Mild Steel Ingots—18,000 tonnes p.a—(COB)

Shri Vijay Agarwal, (M/s Saraswati Ispat Ltd;) 3-Shimla Road, Bhopal, Madhya Pradesh—(Mandideep, Raison, MP)—Mild Steel Ingots—9,000 tonnes p.a—(COB)

M/s Zenith Wires Ltd; P-16, Kalakar Street, Calcutta—(Kalyani, Nadia, West Bengal)—Mild Steel Ingots—23,000 tonnes p.a—(COB)

M/s Quality Steel Tubes, 133/1, Juhi Gaushala, Kanpur-14—Kanpur-Uttar Pradesh)—Steel Pipes & Tubes—10,000 tonnes p.a—(COB)

Fuels

M/s J & K State Industrial Development Corporation Limited, Haft Chinar, Srinagar—(Jammu-J & K)—Soft Coke—90,000 tonnes of Coal p.a—(NU)

Electrical Equipment

M/s Nitin Castings Pvt Ltd; Eastern Express Highway, Thana-6—(Thana-Maharashtra)—Heat Resisting Parts for Furnaces—120 tonnes p.a—(NA)

Transportation

M/s Rajasthan State Industrial & Mineral Development Corpn., 100-Jawahar Lal Nehru Marg, Jaipur-4—(Alwar-Rajasthan)—Scooters—24,000 nos. p.a—(NU)

Industrial Machinery

M/s Larsen & Toubro Ltd; L & T House, Dougall Road, Ballard Estate, Bombay-1—(Powai, Bombay, Maharashtra),—Pulp & paper making plants of 100 tonnes per day, capacity or lesser capacity (not below 50 tonnes) depending upon demand—worth Rs 50 million p.a—(NA)

Earth Moving Machinery

M/s Jyoti Limited, Industrial Area, P. O. Chemical Industries, Baroda—(Baroda-Gujarat)—Mechanical Seals—1,500 nos. p.a—(NA)

M/s Allied Motors (P) Ltd; 5-Scindia House, New Delhi—(Ghaziabad-Uttar Pradesh)—Howard Tractor Mounted Rotavators—2,000 nos. p.a—(NU)

Engineering Industries

M/s Anglo American Marine Co Ltd; Boat Hard Road, (Coal Bunder), Bombay-10—(Aurangabad-Maharashtra)—Gear Hobs—12,000 nos p.a; Gear Shaping Cutters—12,000 nos p.a—(NA)

M/s Rajasthan Blades Ltd; Opp: G.P.O. Mirza Ismail Rd; (Jaipur-Rajasthan)—Stainless Steel Blades—150 mill nos p.a—Carbon Steel Blades—150 mill nos p,a—(Total: 300 mill nos p.a)—(NU)

Chemicals

M/s Ranbaxy Laboratories Pvt Ltd; Okhla, New Delhi—(Kharar, Rupar, Punjab)—Diazepam—4 tonnes; Chlordiazepoxide—8 tonnes; Chlofibrate—4 tonnes;—(NU)

M/s Hukum Chand Jute Mills Ltd; (Caustic Soda Section), 9-Brabourne Road, Calcutta-1—(Shahdol-Madhya Pradesh)—Caustic Soda—22,680 tonnes; Chlorine—18,700 tonnes—(SE)

M/s Garware Plastics (P) Ltd; 50-A, Central Salsette Road, Western Express Highway, Vile Parle (East), Bombay-57—(Aurangabad-Maharashtra)—Polyester Film—300 tonnes—(NA)

M/s Sandoz (India) Ltd; Sandoz House, Dr A. B. Road, Worli, Bombay-18—(Bombay-Maharashtra)—Quinalphos Technical—200 tonnes p.a—(NA)

M/s Bayer (India) Ltd; Express Towers, Nariman Point, Bombay-1—(Thana-Maharashtra)—Parathien Technical—17,000 tonnes p.a; Fenitration Technical—500 tonnes p.a—(SE)

Drugs & Pharmaceuticals

M/s Suneeta Laboratories (P) Ltd; 502, Arun Chambers, Tardeo Road, Bombay-34—(Indore-Madhya Pradesh)—Niacinamide—48 tonnes; INH—40 tonnes; Thiacetazone—30 tonnes; Meprobamate—30 tonnes; Chloroquine—18 tonnes; Amodiaquine—6 tonnes; Formulations—72 tonnes;—(COB)

Textiles

M/s Maharashtra State Powerlooms Corpn Ltd; Lotus House, 33-A, New Marine Lines, Bombay-20—(Ratnagiri-Maharashtra)—Cotton Yarn—25,000 spindles—(NU)

Shri A. R. Bhide, Chairman. Maharashtra State Powerlooms Corpn Ltd; Lotus House, 33-A, New Marine Lines, Bombay-20—(Chandrapur, Nagpnr, Maharashtra)—Cotton Yarn—25,000 spindles—(NU)

M/s UP State Textile Corpn Ltd; 7-8, Sarvodaya Nagar, Kanpur—(Uttar Pradesh)—Cotton Yarn—25,000 spindles—(NU)

M/s UP State Textile Corpn Ltd; Kanpur—(Uttar Pradesh)—Cotton Yarn—25,000 spindles—(NU)

M/s UP State Textiles Corpn Ltd; Kanpur—(Uttar Pradesh)—Cotton Yarn—25,000 spindles—(NU)

M/s Maharashtra State Powerlooms Corpn Ltd; Lotus House, 33-A, New Marine Lines, Bombay-20—(Aurangabad-Maharashtra)—Cotton Yarn—25,000 spindles—(NU)

M/s UP State Textile Corpn Ltd: 7-8, Sarvodaya Nagar, Kanpur—(Uttar Pradesh)—Cotton Yarn—25,000 spindles—(NU)

M/s UP State Textile Corporation Ltd; 7-8, Sarvodaya Nagar, Kanpur—(Uttar Pradesh)—Cotton Yarn—25,000 spindles—(NU)

M/s UP State Textile Carporation Ltd; Kanpur—(Uttar Pradesh)—Cotton Yarn—25,000 spindles—(NU)

M/s UP State Textile Corporation Ltd; Kanpur—(Uttar Pradesh)—Cotton Yarn—25,000 spindles—(NU)

M/s UP State Textile Corporation Ltd; Kanpnr—(Uttar Pradesh)—Cotton Yarn—25,000 spindles—(NU)

Sugar

M/s Shakthi Sugars Ltd; 79, Sen Gupta Street, Coimbatore-9—(Bhavani, Coimbatore, Tamil Nadu)—Sugar—2,000 tonnes sugar per day (Cane crushing capacity 4,000 tonnes p. day)—(SE)

M/s Shree Dudhaganga Vedganga Sahakari Sakhar Kar-Khana Ltd; Bidri, (Mouninagar), Taluka Kagal, Distt: Kolhapur—(Bidri, Kolhapur, Maharashtra)—Sugar—3,500 tonnes p. d. of cane crushing capacity—(SE)

M/s UP State Sugar Corpn Ltd; 25-B, Ashok Marg, Lucknow—(Daryapur, Rai Bareilly, UP)—Sugar—1,250 tonnes p.a; (cane crushing capacity)—(NU)

The Secretary, UP Co-operative Sugar Factories Federation Ltd; 9-A, Rana Pratap Marg, Lucknow—(Bilaspur, Rampur, UP)—Sugar—1,250 tonnes cane crushing capacity—(NU)

The Secretary, UP Co-operative Sugar Factories Federation Ltd; 9-A, Rana Pratap Marg, Lucknow—(Kashipur, Nainital,

UP)—Sugar—1,250 tonnes of cane crushing capacity p.a—(NU)

Shri Priyadarsi Jetly, MLA; Sevo Kunj, Akbarpur, Distt: Faizabad—(Faizabad-Uttar Pradesh)—Sugar—1,250 tonnes p.a cane crushing capacity p.a—(NU)

Shri B. R. Mahadik, At post: Puluj, Taluka: Pandharpur, Distt: Sholapur—(Sikandar Mahal, Sholapur, Maharashtra)—Sugar—1,250 tonnes of cane crushing capacity p.a—(NU)

Food Processing Industries

M/s Dinesh Roller Flour Mills, 89, Water Works Road, Jamshedpur—(Bokaro-Bihar)—Wheat Products—30,000 tonnes p.a—(NU)

Vegetable Oils & Vanaspati

M/s Orissa Oil Industries Ltd; PO Rairangpur, Distt: Mayurbhanj, Orissa—(Rairangpur, Mayurbhanj, Orissa)—Non-edible Oil (Out of seeds like Mahua, Karanj, Kusum and Niger)—4,500 tonnes in terms of seeds p.a—(NU)

Leather and Leather Goods

M/s Sultan Tanning Industries, Jajmau Road, Kanpur—(Kanpur-Uttar Pradesh)—Finished Leather from VT Hides—2,000 nos p.a—(NU)

M/s Nusrath Tanning Co, 19-A, Kurappa Chetty Street, Periamet, Madras—(Madras-Tamil Nadu)—E.I. Tanned Goat Skins—5,63,000 nos p.a

M/s V. Guruvaih Naidu & Sons, 216, Rangaiah Gowder Street, Coimbatore-2—(Coimbatore-Tamil Nadu)—E.I. Tanned Goat Skins—4,47,000 nos p.a

M/s Eastern Chrome Tanning Corporation, 19-A, Vepery High Road, Periament, Madras-3—(Vellore, North Arcot, Tamil Nadu)—Finished Leather from Goat Skins—5,00,000 pieces p.a

Glass

M/s Rajasthan Containers Ltd; Hindustan Times House, 12th Floor, Kasturba Gandhi Marg, New Delhi-1—(Kota-Rajasthan)—Glass Bottles—18,000 tonnes p.a—(NU)

Cement and Gypsum Products

M/s Assam Industrial Development Corporation Limited, Kannachal Road, Silpukhuri, Gauhuti-3—(Assam)—Portland Cement—2 lakh tonnes p.a—(NU)

Timber Products

M/s Assam Saw Mills & Timber Co Ltd; Jalan House, 52, Ballygunge, Circular Road, Calcutta-19—Namasai (NEFA), Assam)—Plywood of all descriptions 10,765,000 Sq metres—(SE)

Letters of Intent

(During the weeks ended April 11 and 20, 1974)

Metallurgical Industries (Ferrous)

Shri Mangal Dutt Sharma, 11-Civil Lines, Station Road, Muzaffar Nagar—(Raipur-Madhya Pradesh)—Forged Machined Steel Flanges, Discs and Rings—1,800 tonnes; Pipe Fittings—500 tonnes—(NU)

Shri Jatinder Kishore Singhal, B-28, Kailash Colony, New Delhi-48—(Haryana)—Forged Machined Steel Flanges, Discs and Rings—2,000 tonnes; Pipe Fittings—500 tonnes—(NU)

Shri Keshav Thirani, 2/6, Sarat Bose Road, Culcutta—Alwar-Rajasthan)—Centrifugally Cast Alloy Steel Tubes—500 tonnes. Alloy Steel Casting—500 tonnes—(NU)

M/s The Meghalaya Industrial Development Corpn Ltd; Scott Building, Room No 33, Shillong-1—(Bernihat, Distt Kashi Hills, Meghalaya)—Open Top Sanitary Cans—24 mill nos p.a—(NU)

Electrical Equipment

M/s Geep Flashlight Industries Ltd; 28, South Road, Allahabad-1—(Allahabad-Uttar Pradesh)—Auto Lamps—3 mill nos—(SE)

Shri Vishnu Agarwal, Krishna Nagar, Faridabad Road, Lucknow-6—(Rae-Bareilly-UP)—Power Transformers upto 50 MVA/132KV—1000 MVA p.a—(NU)

Transportation

M/s The Premier Automobiles Ltd; L. B. Shastri Marg, Kurla, Bombay-70—(Kurla/Wadala/Kalyan, Maharashtra)—Passenger Cars—18,000 nos—(SE)

Shri Manmohan Singh, 'Jivan Vihar' (First Floor), 3-Parliament Street, New Delhi—(Goa-Union Territory)—Ocean Going Trawlers (Boat Types)—40 nos p.a—(NU)

Industrial Machinery

M/s Ion Exchange (India) Ltd; Tiecicen House, Dr E. Moses Road, Bombay-11—(Ambernath-Maharashtra)—Water Treatment Plants—Rs 240 lakhs p.a; Ion Exchange Resins—50,000 Cu Ft—(SE)

M/s National Engg. Inds.; 9/1, R. N. Mukherjee Road, Calcutta-1—(Jaipur-Rajasthan)—Roller Bearing Axle Boxes—60,000 nos p.a—(SE)

Shri Damodar Lal, c/o Mitsons & Company, 2, Brabourne Road, Calcutta—(Mayurbhanj-Orissa)—Spur Gears—1,500 tonnes p.a; Bevel Gears—2,000 tonnes p.a; Sprockets—3,000 tonnes p.a—(NU)

Chemicals

Shri C. N. George, M/s George Co, Contractors, Kottayam (Kerala)—(Ambalamedu, Cochin, Kerala)—Carbon Black—13,700 tonnes p.a—(NU)

M/s Shambhu Nath & Sons Ltd; G. T. Road, Shahbad Markanda, Distt: Kurukshetra—(Shahbad Markanda, Kurukshetra, Haryana)—Sulphuric Acid—16,500 MT—(SE)

M/s Tata Chemicals Ltd; Bombay House, Homi Mody Street, Fort, Bombay—(Mithapur-Gujarat)—Caustic Soda (Electrolytic)—11,400 tonnes p.a—Chlorine—9,700 tonnes p.a—Hydrochloric Acid—9,650 tonnes p.a—(SE)

Drugs & Pharmaceuticals

M/s Suneeta Laboratories Ltd; 502, Arun Chambers, Tardeo Road, Bombay-35—(Tarapur-Maharashtra)—Probenacid—12 tonnes p.a; Alpha Picolinic Acid—200 tonnes p.a; Methyl Dopa—12 tonnes p.a; Ethambutol—12 tonnes p.a; Metronidazole—10 tonnes p.a; Ethionamide—10 tonnes p.a: 4-7 Dichloroquinoline—60 tonnes p.a; Novaldiamine—48 tonnes p.a—(NU)

Paper and Pulp

M/s C. R. Patel & N. R. Patel, 9/12, Kunj Society, Alkapuri, Baroda-5—(Broach-Gujarat)—Writing & Printing, Kraft, Boand, Poster, Tissue and other varieties of paper—10,000 tonnes p.a—(NU)

Leather and Leather Goods

Shri S. Guha Ray, G-35, Nizamuddin West, New Delhi-13,—(Unao-Uttar Pradesh)—Finished leather from EI/Wet Blue Chrome Skins—9 lakh nos—(NU)

M/s Pioneer Tanneries & Glue Works, Jajmau, Kanpur-10—(Jajmau, Kanpur, UP)—Vegetable Tanned Finished Leather

from Hides—1.5 lakh nos p.a; Chrome Tanned Unfinished/ Finished Leather from Hides—3 lakh nos p.a; Glue—400 tonnes p.a

Letters of Intent Revoked or Surrendered

(During the weeks ended April 11 and April 20, 1974)
(Information pertains to particular letters of intent only)

M/s Dhanda Engineers Pvt Ltd; Industrial Area, Faridabad —(Haryana)—Indigenous Make Agricultural Tractors.

M/s Southern India Glass Industries, 25—Ashoka Apartments, Napean Sea Road Bombay-26—(Mysore)—Wired & Figured Glass.

M/s Hindustan Dealers Ltd; 4—Indian Exchange Place, Calcutta-1. (Haryana)—Dash Board Instruments.

Licences Issued

(During the week ended April 27, 1974)

Metallurgical Industries (Ferrous)

M/s Merchant Steel Industries Pvt Ltd; Nirmal Nagar, Bhavnagar—(Bhavnagar-Gujarat)—Plain unprinted tin containers (18 litres capacity)—352 M. tonnes. p.a; M.S. Barrels (200/210 litres capacity) 814 M. tonnes p.a—(COB)

M/s Vandha Steel & Alloys Ltd; Jhandewalan Extn E-2, New Delhi—(Mandi Govindgarh-Punjab)—Mild Steel Ingots—18,000 tonnes p.a—(COB)

M/s Alwar Alloys & Steels (P) Ltd; K—109, Hauz Khas, New Delhi—(Alwar-Rajasthan)—Mild Steel Ingots—9,000 tonnes p.a—(COB)

M/s Delhi Cloth & General Mills Co Ltd; Himalaya House (3rd Floor), 23—Kasturba Gandhi Marg, New Delhi—(Hoshiarpur-Punjab)—Alloy Iron Casting & S.G. Iron Casting—25,000 tonnes p.a—(NU)

M/s Solid Alloys Steel Ball Ltd; No 2, Brabourne Road, Calcutta—(Hoogly-West Bengal)—M.S. & Alloy Steel Balls (20 mm to 55 mm dia—6,300 tonnes p.a—(NU)

Electrical Equipment

Shri Damodar Ratha, 49, Shivaji Housing Society, Poona-16—(SEPZ-Bombay-Maharashtra)—Wire Wound Resistors—3 mill pcs—(NU)

Shri V.P. Mahendru, Mg Dir, Indo Asian Traders (P) Ltd; Nakodar Road, Jullundar—(Jullundar-Punjab)—Metal Clad Switches fuse Units upto 100—A—80,000 nos p.a; Fuse Switches with HRC Fuse Links upto 400—A.—6,000 nos p.a; Distribution Fuse Boards upto 100—A : 1,600 nos p.a; HRC Fuse Links upto 600—A.—60,000 nos p.a; Porcelain Fuse Units upto 200-A : 77,000 nos p.a; Cut-outs upto 400-A—25,000 nos pa—(COB)

Transportation

M/s Bajaj Auto Ltd; Bombay-Poona Road, Chinchwad, Poona-19—(Poona-Maharashtra)—Three Wheelers—15,000 nos p.a.—(SE)

Industrial Machinery

M/s Associated Cement Companies Ltd; 121, Maharshi Karve Road, Bombay-20—(Shahabad-Karnataka)—Machinery for Ore Dressing,Benefication and Processing Industry—Rs 200 lakhs p.a. (i.c. One plant of a capacity of 1,000 tonnes p. day) —(NA)

Machine Tools

M/s Ralliwolf Ltd; Lal Bahadur Shastri Marg, Post Box No 7758, Mulund, Bombay-20—Bombay-Maharashtra)—Portable Electric Tools— 45,000 nos p.a; Drill Stands—3,900 nos p.a—(SE)

Industrial Instruments

M/s India Meters Ltd; Plot No. 14, Industrial Estate, Ambattur, Madras-58—(Ambattur-Madras-Tamil Nadu)—Maximum Demand Indicators 5,000 nos p.a—(NA)

Chemicals

M/s Anand Gases & Industries Ltd; 66, Jorbagh, New Delhi-3—(Gurgaon-Haryana)—Oxygen Gases—14,00,000 Cu. Metres; Acetylene Gases—2,00,000 cm metres—(NU)

Shri M.M. Jain, 'Parmeshwari Niwas', 7—Central Avenue, Nagpur-18—(Jodhpur, Rajasthan)—Hydrated Lime—8,000 tonnes; Calcium Carbonate—20,000, tonnes—(NU)

Drugs & Pharmaceuticals

M/s Chemical Industrial & Niacin Pharmaceuticals Ltd; (CIPLA), 289, Bellasis Road, Byculla, Bombay—(Bombay-Maharashtra) I.P. & Niacinamide I.P—12 tonnes—(NA)

Sugar

The Managing Director, Assam Industrial Development Corporation Ltd; Gauhati—(Borbori, Kamrup-Assam)—Sugar: 1,250 tonnes p. day—(NU)

Glass

M/s Northern India Glass Industriss, 888, East Park Road, Karol Bagh, New Delhi—(Bahadurgarh, Rohtak, Haryana)—Sheet Glass—5 mill Sq metres p.a—(NU)

Drugs & Pharmaceuticals

M/s Roche Products Ltd; 28, Tardeo Road, Bombay-34—(Bombay-Maharashtra)—Sulphamethaxazole (Anual capacity) —18 tonnes; Tablets (adult dosage) (80 mgs. trimethoprim & 400 mgs. sulphamethazole) & Paediatric (20 mg. trimethorprim and 100 mg. sulphamethaxazole) (Bactrim—260 Lakh tablets—(NA)

Letters of Intent

(During the week ended April 27, 1974)

Metallurgical Industries (Ferrous)

M/s SLM Maneklal Industries Ltd; Vatva, Taluka Dascroi, Ahmedabad—(Vatva-Gujarat)—High Duty Iron Castings—3,000 tonnes p.a; Alloy Iron Castings—1,000 tonnes p.a; S.G. Iron Castings—1-000 tonnes p.a; TOTAL :—5,000 tonnes p.a—(SE)

M/s Associated Cement Companies Ltd; 121, Maharshi Karve Rd; Bombay -20 —(Shahabad-Karnataka)—Plain Carbon and Alloy Steel Castings and Grinding Media—2,500 tonnes p.a—(NA)

M/s Andhra Pradesh Industrial Development Corporation Ltd; B-I-174, Fateh Maidan Road, P.B. No 13, Hyderabad-4 —(Andhra-Pradesh)—Cold Rolled Strips; Box Strappings—12,000 tonnes p.a—(NU)

Metallurgical Industries (Non-Ferrous)

M/s Bralco Metal Industries Pvt Ltd; Gupta Mills Estate, Darukhana, Reay Road, Bombay—(Bombay-Maharashtra)—Aluminium Strips—12,000 tones p.a—(SE)

Electrical Equipment

M/s Power Build Pvt Ltd; Anand Sojitra Road, Vallabh idyanagar—(Anand, Kaira-Gujarat)—Electro-Magnetic Elec-onic Belt-Weighers—75 nos p.a; Metal Detectors—75 nos a; Constant Weight Feeders-18nos p.a—(NA)

M/s Rao Insulating Co (P) Ltd; Whitefield PO, Banglore. anglore. Karnataka)—Silvered Mica Capacitors-Epoxy Resin Ioulded-O.5 million nos; Silvered Mica Capacitors-Wax Coated .5 millions; Silvered Mica Capacitors-Resin Dip Coated—2.0 illions; Mica Trimmer Capacitors-1.0 millions nos—(NA)

M/s English Electronic Co of India Ltd; Pallavaram. Mad-s-43—(Pallavaram, Madras, Tamil Nadu)—Phase Comparison rotection Scheme/Inter Tripping System-35 nos p.a—(NA)

M/s Bush India Ltd; PO Box 4127, Sukh Sagar, N.S. Patkar Iarg, Bombay. (Thana Maharashtra)—Signal Generators-100 os p.a—(NA)

Telecommunication

M/s West Bengal Industrial Development Corpn Ltd; 23-A, Tetaji Subhas Road, Calcutta-1—(West Bengal)—Walkie-Talkie ets (all types of transmitter receivers) for use by Police, CRP, SF and other Government Civil Agencies-8,000 pieces; Walkie alkie Sets (all types of transmitter receivers) for use by Defence Army/Navy/Air Force) 4,000 pcs; Communication Receiver ets 400 pcs; Pocket size Personal Communication Systems Transmitters and Receivers) 200 + 10,000 pcs; Special Com-onents for the above eg, Crystals 200,000 pcs; Spl Loudspea-ers & Microphones 50,000 pcs; Telephone Sets, Head Gears Hand Sets and Need Sets)—20,000 pcs— (NU)

Transportation

Shri OP Ahuja, S-143, Greater Kailash, New Delni 48 Ghaziabad, Meerut,) UP —Alternators/Generators 25,000, Magnators 75,000 nos, Starter Motors 40,000 nos, Voltage egulators 1 lakh nos—(NU)

M/s Voras Engg Pvt Ltd; Old Ashram, Andheri Kurla Road ndheri, Bombay (Andheri, Maharashtra)—Valve Seat, Inserts nd Valve Tappets-30,00,000 pcs each p.a—NA

M/s Shri S.Rm. PL Subramanian. Promoter; 8 College Lane Madras Ranipet, North Arcot, Tamil Nadu—Automobile hock Absorbers 4 lakh nos p.a—(NU)

Engineering Industries

M/s Hyderabad Tools Pvt Ltd; 920, Tilak Road Hyderabad, Hyderabad Andhra Pradesh Small Tools, Press Tools, Jigs nd Fixtures Rs 25 lakhs p.a—(SE)

Fertilizers

M/s Gujarat State Fertilizer Co Ltd; PO Fertilizer Nagar, aroda. Baroda Gujarat —Ammonia 7,60, 500 tonnes Urea ,92,000 tonnes, Amm Sulphate 19.5-2,56,000 tonnes to Tech. Grade, Urea-3,200 tonnes—(SE)

Chemicals

M/s Excel Industries Ltd; 184-187, Swami Vivekanand Road ogeshwari, Bombay Bombay Maharashtra —Aluminium Chlo-ide 2,000 tonnes p.a— (SE)

M/s Hoechst Pharmaceuticals Ltd; Ramon House, Backbay eclamation, Bombay-20—(Bombay-Maharashtra)—Thiodan echnical —800 tonnes p.a—(SE)

Drugs & Pharmaceuticals

M/s Hoechst Pharmaceuticals Ltd; Ramon House, Backbay Reclamation, Bombay-20—(Bombay-Maharashtra)—Marek's Disease Vaccine—200 lakhs doses p.a—(NA)

M/s Atul Products Ltd; P O Atul (Western Railway), Bulsar—(Atul-Gujarat)—Naphthols—800 tonnes p.a—(SE)

M/s Hoechst Pharmaceuticals Ltd; Ramon House, Backbay Reclamation, Bombay—20—(Bombay-Maharashtra)—Isopropyl Antipyrine—30 tonnes p.a—(NA)

M/s Hoechst Pharmaceuticals Ltd; Ramon House, Backbay Reclamation, Bombay-20—(Bombay-Maharashtra)—Foot & Mouth Disease Vaccines—10 million doses p.a—(NA)

M/s Hoechst Pharmaceuticals Ltd; Ramon House, Backbay Reclamation, Bombay-20—(Bombay-Maharashtra)—Prenyla-mine Lactate—800 Kg p.a—(NA)

M/s Hoechst Pharmaceuticals Ltd; Ramon House, Backbay Reclamation, Bombay-20—(Bombay-Maharashtra)—Avil Expec-torant—160,000 Liters p a., Avil Retard—18 mill dragees—(NA)

Textiles

M/s Reliance Textile Industries (P) Ltd; Court House, Tilak Marg, Dhobi Talao, Bombay-2—(Naroda-Ahmedabad, Gujarat) —Knitted Fabrics of Manmade Fibre. (i) Warp Knitting Machines—8 nos. (ii) Circular Knitting Machines—8 nos. corresponding to a total consumption of 320 tonnes Caprolac-tum p.a—(SE)

Paper & Pulp

Shri Natwar Lal, c/o S. N. Poddar & Co, 58/54, North Chowk, New Market, Varanasi—(Varanasi-UP)—Packing, Wrapping & Corrugating Paper and Board—5,275 tonnes p.a—(NU)

Chief Secretary to the Government of Tripura, Deptt. of Industries, Agartala, Tripura—(Fatikrai, Kailashahu, Tripura)—Bleached Pulp and Printing and Writing Papers—82,500 tonnes p.a—(NU)

Leather and Leather Goods

Shri Deepak Narang, 3-Cavalry Lines, Delhi—(Uttar Pradesh) —Finished Leather from E I/Wet Blue Chrome Tanned Skins——9 lakh nos. p. a—(NU)

Change in Names of Owners or Undertakings

(During the week ended April 27, 1974)

(Information pertains to particular licences only)

M/s Qabul Singh & Sons, 28, New Rohtak Road, New Delhi—to—Associated Gases Private Limited.

M/s Yamuna Gases Pvt Ltd; Delhi—to—M/s Yamuna Gasses Limited, New Delhi.

Letters of Intent Revoked or Surrendered

(During the week ended April 27, 1974)

(Information pertains to particular letters of intent only)

Shri H.A. Dharamsey, 168-170, Sheriff Devji Street, Chakla, Bombay—(Gujarat)—'E' Glass Marbles, Continuous Filament Yarn, Rovings, Reinforcement and Mats from Waste Yarn.

M/s Dhawan Motor Company, Latouche Road, Kanpur—(Uttar Pradesh)—Engine Valves.

Readers' Roundtable

Levies on Road Transport

Sir—To yield an additional revenue of Rs 8.8 crores, the Finance minister in his supplementary budget proposals for 1974-75 has proposed to step up by five per cent the ad valorem duty on tyres, other than those for scooters, motor cycles and mopeds. While describing this new step as a "mopping up measure and to raise revenue", Mr Chavan has also said that due to production constraints shortages have developed in the availability of tyres leading to charging of high premia on certain categories of tyres by the middlemen. But he has assured that tyres and tubes for cycles and tyres specially designed for use in animal-drawn vehicles will continue to be wholly exempt.

One may recall here that in the union budget for 1974-75 Mr Chavan also imposed the uniform rate of nine per cent ad valorem on vehicles like mopeds, auto-rickshaws and other three-wheelers and an increase of 20 per cent ad valorem for vehicles with body and 25 per cent for others including those cleared as drive-away chassis in place of 13.33 per cent ad valorem besides discontinuing previous concessional rates to commercial vehicles by imposing uniform ad valorem of 12½ per cent. Mr Chavan's proposals on motor vehicles were estimated to net an additional revenue of Rs 16.25 crores.

No doubt, due to production constaints shortages do persist in the availability of tyres today and some middlemen enjoy consequent benefits by charging higher premia on certain categories. But informed sources note that the present shortages of tyres in India are "size shortages". More so, as the same is confined to one size only viz. 900.20. And the same is estimated to be a marginal shortage. Such marginal shortages are often magnified as (a) in the event of any tyre purchase, the same can only be put off at the risk of the vehicle being made immobile, and (b) the same often leads to stocking of tyres by consumers immediately causing the shortage even though the same may be marginal.

It is possible to solve the crisis of tyre shortage and to deny the middlemen from enjoying benefits of shortages by charging premia on certain categories provided the seven factories in India are capable of producing to full capacity. But labour unrest, go-slow tactics and strikes in one or more of such factories or unprecedented power famine taking heavy toll on the tyre production in India make such full capacity utilisation impossible even today.

About the impact of the five per cent ad valorem duty on tyres proposed in the mini-budget of Mr Chavan in the Indian rural scene, interested circles note that the heavy wear and tear of cars and trucks are common as in the last 20 years the surfaced road lengths have been more than doubled and that of the unsurfaced one nearly trebled. No wonder, demands from commercial trucks for tyres and spares are greater in rural areas than in the urban sector. To illustrate: car tyres are usually changed only once in 18 or 28 months. But trucks plying on bad rural roads and loading beyond the sanctioned limit need 12 to 15 annual replenishments.

Will the price hike of tyres spare the export sector ? At present, the policies of tyre companies in distributing the available tyres in shortage sizes (viz. 825.20 and 900.20) are as follows: only 44 per cent is available for distribution in the retail market and the rest 56 per cent of the total production is completely set aside for government stipulated requirements (like defence, state transport, export etc.) to meet obligations imposed by authorities concerned. Interestingly, out of India's total export shipments of Rs 1406.82 crores in a year, the share of road transport was 61.5 per cent against 18.2 per cent, 19.7 per cent and 0.6 per cent respectively for railways, inland waterways and others.

Due to power famine and transport crisis, the overall out look for industrial production is uncertain at present. In addition, informed sources believe that motorised public and private transport are bound to be affected by this mini-budget. Some tyre dealers are however optimistic that the black market in tyres will be controlled by this new duty as they find that, with the raising of prices by tyre companies, the premium rate has shown a drop. Logically, they feel that the new five per cent ad valorem duty will further lead to a drop in such premium rates. But they cannot deny the possibility that the new duty would cause further hardships for tyre dealers who now suffer from shortage of funds or fail to maintain large inventories.

Calcutta A Correspondent

INDAL

INDIAN ALUMINIUM COMPANY, LIMITED

1 Middleton Street, Calcutta 700 016

Call Notices in respect of the First Call on Indal partly-paid Ordinary Shares have been mailed to registered shareholders.

The Call is payable before 6 September 1974.

IA 8081

Railway supplementary budget

SENTING THE railway supplementary budget in Parliament on August 1974, Mr L.N. Mishra, minister of Railways, announced certain levies ch will come into force from September 9, 1974. These levies will bring revenue of Rs 140.07 crores in the remaining part of the current financial r. Given below are the proposals regarding revised freight rates as well fares.

REVISED FREIGHT RATES AND FARES

ight Rates

The following supplementary charge will be leviable on the total freight rges in respect of goods traffic including livestock but *excluding foodgrains, ses and edible oil*:—

For distinces upto 500 kms	16⅔%
For distances beyond 500 kms	22%

Supplementary charge at 16⅔% will also be leviable on the transhipnt and siding charges.

ssenger Fares

(a) For Second Class Mail and Express	1-250 kms	The existing fare per ticket will be increased by 25%.
	Beyond 250 kms	The existing fare per ticket will be increased by 20%.
(b) For Second Class Ordinary.	1-25 kms	No change.
	26-250 kms	The existing fare per ticket will increased by 25%.
	Beyond 250 kms	The existing fare per ticket will be increased by 20%.
For First Class and AC Chair Car		The existing fare per ticket will be increased by 33⅓%.
For A.C. First Class		The existing fare per ticket will be increassed by 25%.
First Class Season ticket fares		The existing fare per ticket will be increased by 33⅓ %.

There will be no revision in the :—

(i) Fares for Second Class Season tickets.

(ii) Reservation charges.

(iii) Second Class sleeper charges.

(iv) Charge for a platform ticket.

rcels and Luggage Traffic

A supplementary charge of 15% on parcels and luggage as well as on scellaneous coaching traffic will be levied. This will be in addition to the sent supplementary charges, wherever leviable. *Vegetables and milk will exempted from the proposed increase.*

Proposed Increase in Fare Per Ticket

(Single journey ticket)

(Rs)

Distance Kms	Air-conditioned Class		First Class		Air-conditioned Chair Car	
	Existing fare	Proposed fare	Existing fare	Proposed fare	Existing fare	Proposed fare
(1)	(2)	(3)	(4)	(5)	(6)	(7)
5	34·00	43·00	4·00*	5·50†	7·50	10·00
15	34·00	43·00	5·00*	7·00†	7·50	10·00
25	36·00	45·00	7·00*	9·50†	9·00	12·00
50	36·00	45·00	13·00	17·50	11·00	15·00
80	49·00	52·00	18·00	24·00	14·50	19·50
100	53·00	67·00	21·00	28·00	17·00	23·00
200	76·00	95·00	32·00	43·00	24·50	33·00
300	102·00	128·00	46·00	61·50	33·50	45·00
400	124·00	155·00	56·00	75·00	41·00	55·00
500	160·00	200·00	66·00	88·00	48·00	64·00
600	200·00	250·00	80·00	107·00	56·00	75·50
800	251·00	314·00	97·00	129·00	66·50	89·00
1000	300·00	375·00	115·00	153·50	78·50	105·00
1200	353·00	442·00	136·00	181·50	90·50	121·00
1400	410·00	513·00	153·00	204·00	100·50	134·00
1600	487·00	609·00	172·00	229·00	112·00	149·50
2000	563·00	704·00	199·00	265·50	128·00	171·00
2400	629·00	787·00	228·00	304·00	147·00	196·00
2800	695·00	869·00	255·00	340·00	163·00	217·50
3200	761·00	952·00	281·00	375·00	179·00	239·00
3600	827·00	1034·00	307·00	409·50	194·00	259·50
4000	893·00	1117·00	334·00	445·50	210·50	281·00

*For travel in Mail or Express trains in First Class the minimum charge of Rs 10 per passenger will apply.

†For travel in Mail or Express trains in the First Class the minimum charge of Rs 13.50 per passenger will apply.

Distance kms	Second Class Mail or Express		Second Class Ordinary	
	Existing fare	Proposed fare	Existing fare	Proposed fare
(1)		(2)		(3)
5	0·50	0·65	0·30	No change
15	0·85	1·05	0·50	No change
25	1·55	1·95	0·85	No change
50	2·60	3·25	1·60	2·00
80	3·75	4·70	2·75	3·45
100	4·50	5·65	3·25	4·05
200	8·20	10·25	6·20	7·75
300	12·10	14·50	9·00	10·80
400	15·35	18·40	11·45	13·75
500	18·75	22·50	13·95	16·75
600	22·50	27·00	16·15	19·40
800	28·15	33·80	20·45	24·55
1000	33·70	40.45	24 15	29 00
1200	39·50	47·45	27·85	33·40
1400	43·90	52·70	31·25	37·50
1600	49·00	58·80	34·75	41·70
2000	56·80	68·15	41·50	49·80
2400	65·40	78·50	48·30	57·95
2800	73·80	88·55	55·10	66·10
3200	82·20	98·55	61·90	74·30
3600	89·60	107·50	68·70	82·45
4000	97·00	116·40	75·50	90·60

Existing and Proposed Rates for Certain Commodities, for Certain Distances, for Wagon Loads

(Rates per tonne in Rupees)

Distance Kilometres	Coal, Charcoal, Firewood (47·5)		Salt for human consumption, Sugarcane (40)		Hard Coke, Iron ore other than export, Limestone (42·5)	
	Existing	Proposed	Existing	Proposed	Existing	Proposed
100	11·10	13·00	11·70	13·70	12·30	14·40
200	16·20	18·90	17·10	20·00	18·10	21·10
300	21·00	24·50	22·20	25·90	23·50	27·40
500	29·70	34·70	31·50	36·80	33·30	38·90
750	39·90	48·70	42·40	51·70	44·80	54·70
1000	49·60	60·50	52·70	64·30	55·80	68·10
1500	67·30	82·10	71·50	87·20	75·80	92·50
2000	82·50	100·70	87·80	107·10	93·10	113·60
2500	94·40	115·20	100·50	122·60	106·60	130·10

(Rates per tonne in Rupees)

Distance Kilometers	Chemical Manures Division 'B' Ammonium phosphates, Nitrate of ammonium etc. (45)		Cement, Soda Ash, Vegetables (47·5)		Timber, NOC Oilseeds (52·5)	
	Existing	Proposed	Existing	Proposed	Existing	Proposed
100	12·90	15·10	13·50	15·80	14·70	17·20
200	19·00	23·20	19·90	23·20	21·80	25·40
300	24·70	28·80	25·90	30·10	28·40	33·10
500	35·10	41·00	36·90	43·10	40·60	47·40
750	47·30	57·70	49·80	60·80	54·70	66·70
1000	58·90	71·90	62·00	75·00	68·20	83·20
1500	80·10	97·70	84·40	103·00	93·00	113·50
2000	98·40	120·00	103·70	126·50	114·30	139·40
2500	112·70	137·50	188·90	144·90	130·90	159·70

(Rates per tonne in Rupees)

Distance Kilometres	Iron & Steel Division 'C' Billets & Blooms, Sugar (60)		Kerosene Oil, Diesel oil (62·5)		Iron & Steel Division 'B' — Bars, Rods, etc. (70)	
	Eixstint	Proposed	Existing	Proposed	Existing	Proposed
100	16·50	19·30	17·10	20·00	18·90	22·10
200	24·60	28·70	25·50	29·80	28·30	33·00
300	32·10	37·50	33·30	38·90	37·00	43·20
500	46·00	53·70	47·80	55·80	53·20	62·10
750	62·10	75·80	64·60	78·80	72·00	87·80
1000	77·50	94·60	80·70	98·50	90·00	109·80
1500	105·90	129·20	110·20	134·40	123·00	150·10
2000	130·20	158·80	135·50	165·30	131·40	184·70
2500	149·20	182·00	155·30	189·50	173·50	211·80

Existing and Proposed Rates for Certain Commodities, for Certain Distances, for Wagon Loads

(Rates per tonne in Rupees)

Distance Kilometers	Iron & Steel Division 'A' —Cables Chain Screws, Tyres (82·5)		Cotton Raw full pressed. Piece goods- — press packed (87·5)		Aluminium wares Household effects (110)	
	Existing	Proposed	Existing	Proposed	Existing	Proposed
100	21·90	25·60	23·10	27·00	28·50	33·30
200	32·90	38·40	34·80	40·60	43·10	50·40
300	43·20	50·40	45·60	53·20	56·70	66·20
500	62·20	72·60	65·80	76·80	82·00	95·70
750	84·40	103·00	89·30	108·90	111·60	136·20
1000	105·50	128·70	111·80	136·40	139·70	170·40
1500	144·50	176·30	153·10	186·80	191·70	233·90
2000	178·00	217·00	188·60	230·10	236·30	288·30
2500	204·10	249·00	216·30	263·90	271·20	330·90

Existing and Proposed First Class Monthly Season Ticket Fares for Suburban Areas of Bombay, Calcutta and Madras and for non-Suburban Areas (other than Bombay Calcutta and Madras)

Distance	Suburban Areas		Non-Suburban Areas	
	Existing Fares	Proposed Fares	Existing Fares	Proposed Fares
Kms	(Rs)			
1	12·50	17·00	12·50	17·00
3	12·50	17·00	12·50	17·00
5	12·50	17·00	12·50	17·00
8	17·50	23·50	17·50	23·50
10	21·00	28·00	21·00	28·00
12	23·00	31·00	23·00	31·00
16	27·50	37·00	29·50	39·50
20	31·50	42·00	33·50	45·00
25	36·50	49·00	39·00	52·00
30	40·00	53·50	43·00	57·50
35	44·00	59·00	48·00	64·00
40	48·00	64·00	52·50	70·00
45	52·50	70·00	56·50	75·50
50	55·50	74·00	61·50	82·00
60	62·50	83·50	70·50	94·00
70	67·50	90·00	77·50	103·50
80	74·50	99·50	86·50	115·50

Striking it hot

THE STATEMENT made by Mr Raj Bahadur, minister for Civil Aviation, on ugust 24 that some of Air India's pilots were rendering themselves liable to action der the law by resorting to a strike that was clearly illegal, and his forth-right de- ration that there would be no going back on the slip system have come not a day o soon. In fact, only a day earlier Air India's chairman, Mr J.R.D. Tata, had pub- lly stated in New Delhi that he was "a little surprised that laws can be broken" d had pointedly added that it was for the ministry of Labour to declare the strike gal and that prosecution was a government function. The government evidently lieves that there is no need for a formal declaration by the ministry of Labour that e lightning strike called by the Indian Pilots Guild is illegal and in any case the nister for Civil Aviation has now made it clear what the government's view is and has also disclosed that his ministry and the ministry of Labour are in complete reement on this issue. It now remains to be seen how soon the government will t in accordance with the implications of the position it has taken with regard to e striking pilots or whether these pilots themselves will be rash or obstinate enough force the issue.

Meanwhile Mr Tata's observations have left the public in no doubt that Air dia's management is convinced that there is very little that it could do to bring out the resumption of normal operations until the illegal strike is unconditionally lled off or the government has moved in no uncertain manner to ensure that laws e not broken with impunity. It has been widely recognized in the country of course at Air India's management is labouring under grave limitations in nego- ating with the striking pilots or calling their bluff if necessary. Their relative af- uence enables these pilots to hold out if not indefinitely at least for as long as it ight matter. It is only when they have real reason to fear that their intransigence ould necessarily result in their losing in the end in a big way financially and other- se that they might be disposed to let themselves see reason. In other words, by para- zing the operations of the airline they are inflicting enormous financial losses on it hile they themselves presumably expect to gain or at least get off lightly when the counts are ultimately settled. Hence presumably Mr Tata's insistence on the gov- nment making up its mind sooner rather than later to visit on the striking pilots the ll rigours of the law.

Airlines all over the world are presently passing through a critical financial phase d if Air India were to be subjected to substantial operational losses for a prolonged riod, its economy may well be crippled to an extent which would easily compro- se its growth and development budget. In fact, the cost-push pressures of the air- e industry, particularly in the highly competitive field of intercontinental commer- l aviation, is so great that it has become imperative that all sections of the industry ould if necessary make the sacrifices that may be involved in the rationalization of ght as well as ground operations. In the circumstances the government simply can- t afford to wait for good sense to prevail with the striking pilots or even for pub- opinion to make itself felt against the conduct of these pilots. For obvious rea- ns the latter sanction is just not available in this case. While public sympathy is rtainly not with the striking pilots, the strike itself does not seriously incommode e general public in any direct or immediate manner. It is therefore necessary that e government should not lose any more time in effectively breaking the srrike, first d foremost by prosecuting those who had instigated and are leading this illegal tivity.

By acting promptly and decisively in this case the government will be reassuring blic opinion that it has no intention of wavering in its policy of dealing firmly or en toughly with illegal strikes which threaten the larger national interests. Unfor- nately it has become necessary that the government should provide new evidence its resolution in this respect. For this, however, the government itself is not to

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blame. On the contrary, it is the opportunistic medley of some opposition groups, frustrated by their political helplessness, which must be held to be responsible for this situation. Exploiting the indiscreet observations of the outgoing president on what he claimed was a discussion with the Railway minister on the treatment of workers who had participated in the rail strike last May, opposition politicians in the two houses of parliament have been trying to pressurize the government into abandoning all disciplinary action against those railway employees who might have participated in the strike but had not been accused of sabotage or other crimes of violence.

It is of course perfectly reasonable that a distinction should be made between such employees and those who are suspected or have been held guilty of sabotage or other serious crimes. The government has been commendably prompt in recognizing this distinction and pledging itself to treat these two categories of employees in appropriately different ways. Railwaymen who are guilty of sabotage or other offences involving violence should certainly be prosecuted and dealt with according to the law of the land. This should apply also to such employees as have taken part in criminal intimidation or physical coercion of loyal workers. It is clear that no leniency should be shown to railwaymen who either indulged in activities which caused or were liable to cause loss of life or destruction of public property or used force against loyal workers and prevented or attempted to prevent them from attending to their duties in an obvious effort to paralyze the nation's transport system and inflict serious economic and social damage on the country.

It is equally clear also that those striking employees who were not involved in such activities should be dealt with on a different plane although even in their case participation in an illegal strike has rendered them liable for prosecution. This does not mean however that they should be allowed to go scot-free as if what they had done was only to indulge in some innocent fun. The argument that they were misled by the strike leaders would be an outrageously cynical one if it were to be used by the opposition parties for it has all along been the case of most of these opposition politicians that the strike leaders were honourable as well as reasonable men and that the government was under an obligation to negotiate with them even under duress. In any case we have yet to hear a suggestion from the opposition parties that the strike leaders should be prosecuted at least for conspiring to mislead railway employees and instigate them to participate in an illegal strike.

There is also a contention that for the restoration of normal conditions and the harmonious functioning of the railways in the future, the government should adopt a policy of general amnesty towards the mass of railway employees who had participated in the strike. This argument ignores the fact that leniency could well put a premium on participation in illegal strikes and thus demoralize a great majority of railway employees who had stuck loyally to their posts of duty even when this meant risking their lives or the lives of the members of their families. In any case there is no proof at all that the strike leaders are serious about that resumption of normal functioning by the railways. On the contrary there is evidence that some of them at any rate are even now actively engaged in instigating sections of railway employees in adopting postures of confrontation or at least sullen non-cooperation.

In the circumstances the government should not lose its nerve simply because the meaningless accusation of 'victimisation' is being repeatedly hurled against it. It has been pointed out on behalf of the Railway Board that break in service is a normal and perfectly legitimate consequence of participation in an illegal strike which has been unconditionally withdrawn. Break in service or other penalties which the rules or regulations governing service on the railways have provided in the normal course cannot by any stretch of imagination or strain on language be characterized as victimisation and the railway administration at its various managerial or supervisory levels should have complete discretion in prescribing and exacting

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hese penalties subject only to the general olicy of the government that individual ases will be considered on their merits nd no vindictiveness will be shown in lealing with any employee or group of mployees who may have participated in he strike. After all the railway administr-tion has a far more obvious stake in estoring normal conditions in the func-ioning of the railways than those opposi-ion politicians who were involved in varying degrees in an attempt to hold government to ransom by disrupting to-tally, if they could, the country's basic transport system. The conclusion then must be whether it is the flying Maha-rajahs who are involved or the all too ear-thy politicians who are so obviously practis-ing the cult of opportunism, the govern-ment must stand firm on its right and obli-gation to do right by the community at large.

Power ration-iing in West Bengal

THE INTRODUCTION of power rationing in West Bengal with effect from August 12 indicates the government's belated awareness of the vital role of electricity in the state's economic progress. The ordi-nance, issued on August 9 for this purpose, refers to the need for securing the maintenance of supply of electrical energy which "is essential to the life of the com-munity". The state government had been attempting to start the rationing scheme for the past several months but it was un-able to do so mainly because of the un-certainty of supply to the Calcutta area from the power plants of the West Bengal State Electricity Board and the Durgapur Projects Ltd. Even now, the government is not quite sure that these agencies will be able to ensure the minimum daily supply of 430 MW in the morning and 490 MW in the evening, which is considered neces-sary for implementing the rationing scheme. Nevertheless, the government has decided to give it a trial and thereby remedy the highly chaotic situation in re-gard to the supply of power.

The rationing scheme has been intro-duced under the Defence of India Rules. It extends to those districts of West Ben-gal which fall within the areas of supply of the Calcutta Electric Supply Corporation, the West Bengal State Electricity Board and the Durgapur Projects Ltd. The main features of the scheme are the following: Each high voltage industrial consumer shall restrict the consumption to the quan-tity indicated in the order. All high voltage industrial consumers, working for more them five days a week, have to observe an additional day-off so that those which work seven days in the week shall work six days, and those which work six days shall work five. The days off of these consumers have been staggered and they are to observe the days off prescribed for them.

For three-shift industrial units, reduced to six days' working in the week, power within the prescribed off-take may be drawn for consumption during an addi-tional night shift on the day-off. For three-shift industrial units reduced to five working days, the restricted power may be drawn during the night shift on one of the days off so as to allow continuous working over six nights and five days.

All medium or low voltage industrial units are to remain closed between 5 p.m. and 10 p.m. on each working day. Shops and establishments shall not draw electri-cal power between 8.30 p.m. and 10.30 p.m. on Saturdays and Sundays and bet-ween 7.30 p.m. and 10.30 p.m. on other days. Air-conditioned restaurants, bars and other places of entertainment are to remain closed on one day in the week other than Saturday or Sunday. The commercial establishments, banks and do-mestic consumers are not allowed to ope-rate air-conditioning units or room air-coolers between 7 a.m. and 9.30 am.. and between 5 p.m. and 10 p.m.

Industrial circles have welcomed the ra-tioning scheme but have expressed serious doubts about the government's ability to enforce it effectively. If the government is unable to ensure the minimum supply of power that is envisaged, load shedding may continue in an erratic manner as be-fore. If this happens, industrial produc-tion will suffer a further severe set-back In the last two years, major industries have lost due to heavy load-shedding. The jute industry lost 42,000 tonnes valued at Rs 15.5 crores in 1972, 68,000 tonnes va-lued at Rs 25.2 crores in 1973 and 42,500 tonnes valued at Rs 18.1 crores in the first quarter of 1974. About 60 per cent of these losses were in foreign exchange. The engineering industry lost production worth Rs 57 crores in 1973 and Rs 34 crores in the first four months of 1974 due to load shedding. A leading match factory suffered loss in production worth Rs 26,73,000 in 1972, Rs 35,91,000 in 1973 and Rs 36,72,000 in the first quarter of 1974. The loss incurred by a large shoe factory is estimated at Rs 80,40,000 in 1972, Rs 1.69 crores in 1973 and Rs 3.19 crores between January and May 10, 1974. Numerous other industries such as paper, chemicals, and rubber have also lost substantial production.

As the Bengal Chamber of Commerce and Industry observed in its memorandum to the Burman Commission which is now enquiring into the causes of power short-age "in spite of a very favourable order position, most of the industrial units failed to adhere to the delivery schedules, govern-ment suffered loss of revenue, foreign exchange earnings were seriously impaired, and workers were subjected to frequent and long-duration lay-off. The power shortage has become a major impediment to industrial growth in the state; entrepre-neurs are now hesitant to set up new industries or to plan for expansion be-cause of the uncertainty of the power supply position in the near future". Un-less therefore the government is able to implement the rationing scheme with reasonable efficiency not only will indus-trial production continue to decline drastically but even the development pro-grammes will suffer.

The rationing scheme empowers police officers, electrical inspectors and factory inspectors to search premises and seize articles in cases of contravention of the order. It also provides for the discon-nection of supply which may be resumed only after payment of special fees. The government has clarified that while con-

mers can be prosecuted under the DIR r violating the rationing regulations, here is no provision in the scheme for king action against the agencies for their ilure to ensure the stipulated supply. ven so, the government surely has a oral responsibility to se e toit that the enerating agencies do operate at a high evel of efficiency. This responsibility he government has not been able to discharge properly for more than two years ow. The power plants in the public ector have been operating at hardly 50 er cent of their capacity and they have lso been breaking down very frequently. his situation has been attributed to the oor quality of coal and lack of imported pare parts, and light diesel oil. One wonders what prevents the West Bengal government from taking up these problems ffectively with New Delhi or move the entral ministries concerned to ensure the egular and adequate supply of good quaity coal, spare parts and diesel oil and such other inputs as may be required to nable the power plants to operate efficiently. Should the state government let hings drift in this manner, there is little prospect of the rationing scheme succeeding.

It is significant that on August 11, the day prior to the introduction of the rationing scheme, almost all the power plants suddenly and simultaneously developed serious defects. Two out of the four units of the Bandel station had to be closed because of leak, in their boilers. Trouble occurred also in the plants of the DVC, Durgapur Projects and the Calcutta Electric Supply Corporation; and, as a result, there was heavy and extensive load shedding in Calcutta on August 11 and 12. How did these plants manage to get damaged at the same time and, more or less, in the same manner? Dr Gopal Das Nag, the Labour minister, described these breakdowns as a "sad and painful experience", and "as a strange coincidence" while other government departments ascribed it to "bad luck". But for those who have been closely watching the power situation in West Bengal for the past few years, it is difficult to accept these naive explanations. How is it that a government which claims to have tremendous popular and political support is not able to make these power plants operate even at a moderate level of efficiency? Dr Nag has ruled out the possibility of sabotage even before conducting an enquiry into these incidents but then no one has been able to offer any convincing reasons as to why the public sector power plants should consistently break down according to a set pattern.

It appears therefore that, even under rationing, industries will have to put up with unscheduled load shedding and all its harmful consequences. Some industries, however, may go in for captive generators to solve their problem. Differences are reported to have arisen between the department of Power and the departments of Commerce and Industries, and Labour about the desirability of permitting industrial units to use generators. The Power department has pointed out that the factories which have their own generators are likely to tap power illegally from the main lines. But the other departments have taken the view that the government should not object to the use of generators which the factories set up at considerable expense.

Neither the government nor the leading business organisations in Calcutta have the correct information regarding the number of industrial units which have already installed their generators, applied for them but have not got the sanction or, for one reason or the other, have not yet been able to submit their applications. The government should speedily and sympathetically consider the requirements of industrial units that wish to have their own generators in the interests of promoting production and employment. If necessary the government should encourage the units to install generators by giving them soft loans and exempting them from all duties and taxes on such purchases.

It seems doubtful that labour will wholeheartedly support the rationing scheme. In the past few months, several thousands of workers are reported to have been laid off during load shedding, and it is feared that even under rationing workers may continue to suffer loss or reduction of wages and, in some cases, even of employment. Dr Nag has appealed to employers to be generous in the payment of wages and allowances during the periods of load-shedding. His appeal, of course, deserves to be heeded but then how long will employers be able to operate their units profitably if they are subjected to indiscriminate and extensive load shedding?

In a joint statement, some central trade union organisations have demanded the withdrawal of the rationing scheme on the ground that, in the absence of a guarantee for a minimum supply of power, it will increase the sufferings of working people and domestic consumers. But it is worth noting that the trade unions have done practically nothing to improve the discipline and productivity in the power plants whether the latter are in the public sector or the private sector. Even now if the unions conduct themselves with a sense of responsibility and try their best to improve labour relations in the power plants, they can contribute a great deal to the solution of this acute problem.

The rationing scheme in any case is to remain in force till October 31. Thereafter, the restrictions are expected to be relaxed considerably because of the festive season and the onset of winter. But the government surely cannot afford to remain complacent. It should try its best to enforce rationing as efficiently as possible and, at the same time, take effective, even drastic, steps to increase the generation of power from the existing plants and expeditiously implement the schemes for setting up new capacity.

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ndian goods in Britain

INTERESTING recent development in -British trade has been a decline in export of tea and an increase in the rt of coffee and sugar. According he latest British trade statistics, ain imported from India only 55,341 of tea in the year ended December against 61,306 tons in the preceding , the value being £ 24,273,000 against ,875,000. India's main competitors, Lanka and Kenya, also suffered a set-k in their export to Britain in 1973. orts from Sri Lanka fell from 34,225 valued ar £ 15,070,000 to 29,684 tons th £ 13,965,000 in 1973 and from ya from 32,382 tons valued at 3,141,000 to 31,207 tons valued at 3,141,000 in the same period. Britain's l tea imports also fell from 208,882 in 1972 to 207,870 tons in 1973, ed at £ 82,369,000 and £ 82,885,000 pectively.

Competition from other countries and er beverages was among the major tors for the set-back to Indian tea in tain in 1973. It is understood that ttain has been importing tea even from ssia, Turkey and Pakistan. Moreover, nsumers in Britain have been showing increasing preference for coffee. tain's total coffee imports in 1973 ounted to 122,640 tons valued at 61,815,000 compared to 100,697 tons ued at £ 39,600,000 in 1972. In the ne period import of coffee from India e only slightly from 1246 tons to 1266 s in quantity but, in terms of value, increase was from £ 450,000 to 501,000, a rise of 33.6 per cent. Indian ffee is expected to do better in Britain the coming months. But it should be ssible for Indian tea also to have a ger demand in that country by better omotional activities. In the early ties, tea accounted for nearly 45 per nt of India's exports to Britain but in 72-73 this came down to 23 per cent. regards sugar, Britain's total imports 1973 increased to £ 174,976,000 from 146,327,000 in the preceding year, a rise 19.6 per cent. Imports from India also creased but only moderately from £ 1,648,000 to £ 1,741,000 or 5.6 per cent.

The sharp increase in the offtake of tobacco has been another important development in our trade with Britain. In 1973 Britain imported from India nearly 54 million lbs of tobacco valued at £ 16,458,000 compared to 37 million lbs valued at £ 9,067,000 in 1972. This represented an increase of 81.5 per cent in value.

Another item in which India did very well in the British market in the last year was feeding stuff for animals, such as oilcakes, bran, pollard etc. Imports from India rose from £ 4,405,000 to £ 11,076,000 or 151.4 per cent while the increase recorded by Canada, Nigeria and Norway was of the order of 45.3 per cent, 181.8 per cent and 124.4 per cent respectively. Britain's demand for feeding stuff for animals seems to be steadily growing as will be clear from the fact that her total imports of this item jumped from £ 84,390,000 in 1972 to £ 154,115,000 in 1973 or by 82.6 per cent.

As regards textiles, our textile yarn and fabrics had a good demand in Britain but not jute fabrics. Imports of textile yarn and fabrics from India went up in value by 40.7 per cent in 1973 over 1972. Hong Kong was able to achieve an increase of only 20.3 per cent while imports from Pakistan declined by 3.2 per cent. Britain's import of grey, unbleached, from India increased by 160.9 per cent in value in 1973 over the previous year compared to 47.8 per cent from Hong Kong and 23.6 per cent from Pakistan. Apart from these countries, Indian textiles will have to face increasing competition in the coming months from Turkey and other EEC associated countries which have been permitted to export their yarn and fabrics practically free of duty. Regarding jute fabrics, while imports from India fell by 54 per cent in value and from Portugal by 20.2 per cent, those from Irish Republic went up by 37.6 per cent.

Britain's offtake of Indian leather and leather manufactures improved substantially from £ 12,389,000 in 1972 to £ 19,881,000 in 1973, a rise of over 60 per cent. India's competitors in this field are the Irish Republic, Sweden, and West Germany. Britain's import of these items from the Irish Republic rose by 20 per cent, from Sweden by 24 per cent and from West Germany by 29 per cent over 1972, the total imports increasing from £ 47,202,000 to £ 68,352,000 or by 144 per cent. But Indian footwear suffered a set-back in 1973 when the import was valued at only £ 735,000 compared to £ 1,005,000 in the preceding year, a decline of 26.7 per cent.

The prospects for Indian engineering goods in Britain seem to be quite encouraging especially for such items as diesel engines, bicycles and automobile components. The Commerce Department of the Indian High Commission recently reported that there was "a tremendous demand" for air-cooled diesel engines from the original equipment manufacturers. Bicycles also have a rapidly expanding market, considering that in 1973 about one million bicycles are estimated to have been sold in Britain compared to 701,000 in 1971 and 769,000 in 1972. India's export of engineering goods to various countries of the world has steadily increased in recent years to Rs 1505 million in 1972-73 from Rs 1260.45 million in 1971-72. In the first eleven months of 1973-74 these exports were valued at Rs 1490 million. Studies have disclosed that, apart from the items mentioned above, other Indian products like industrial fasteners, sewing machines, and conduit pipes have good scope in Britain. But India can successfully export these and other products only if proper attention is given to such factors as competitive prices, prompt delivery and adherence to specifications.

In 1973 there was a net increase in the import into Britain of 13 important Indian commodities including (apart from those mentioned already) fixed vegetable oils, electrical and non-electrical machinery, fruits and vegetables, mica, metalliferous ores and essential oils. But there was a net decrease in the import of several items (apart from tea) of oilseeds, chemical elements and compounds, and non-metallic mineral manufactures. The total British imports from India in 1973 were valued at £ 148,609,000 compared to £ 112,205,000 in 1972, an increase of 32.4 per cent while British exports to India in the same period declined from £ 141,203,000 to

£ 132,911,000 in the same period. India had a favourable balance of trade with Britain of £ 15,698,000 compared with a deficit of £ 28,998,000 in 1972. Incidentally, it is worth noting that Chinese goods are becoming increasingly popular in Britain. Britain's total imports from China went up from £ 35,588,000 in 1972 to £ 47,834,000 in 1973, a rise of 34 per cent while in the same period British exports to China rose by 168 per cent from £ 31,644,000 to £ 84,802,000. Britain had a favourable balance of £ 36.968,000 with China in 1973 compared with a deficit of £ 3,944,000 in the preceding year. But no details are readily available of the goods exchanged between Britain and China.

According to India's official statistics, exports to Britain in the first ten months of 1973-74 amounted to Rs 2063 million, a rise of 39 per cent over Rs 1483 million in the similar period of 1972-73. But Britain now ranks fourth among customers of Indian goods (the first three being Russia, the USA and Japan in that order) though till 1964-65, she held the first place in this respect. Indian exporters of both traditional and non-traditional goods should therefore give greater attention to the British market.

Orissa's Salvation

ORISSA is facing a serious drought and the state administration is approaching the centre for food supplies and funds for relief operations. It is not for the first time that the state is in such distress with all the 13 districts threatened by floods or drought. While frequent calamities have tended to keep the agricultural yields in Orissa low, it would be meaningful to examine the manner in which the state has tried to meet this challenge.

An important indicator is the effort made by the state in the development of irrigation so that timely water supply could be assured to agricultural lands. Before the first five-year Plan was launched the irrigation potential created was to the extent of about 200,000 hectares as against nearly 8.2 million hectares of cultivable land. Nevertheless, during this Plan no effort was made at all to improve the irrigation potential of the state.

Under the second Plan the irrigation potential increased to 370,000 hectares which further increased to nearly 500,000 hectares by the end of the third Plan. It was towards the end of the fourth Plan, that the millon-hectare mark was reached, but this still accounted for only around 12 per cent of the total cultivated area. In other words, the effort of more than 20 years of planning has enabled Orissa's agriculture to have more or less assured access to irrigation only to the extent of less than one-eighth of the total cultivated area.

The low priority given to irrigation was also apparent in terms of outlay earmarked for this subject. During the fourth Plan, for instance, the state spent around 11 per cent of the total outlay on major, medium and minor irrigation projects. During the same period, for no plausible reasons, less tangible avenues such as cooperation, community development and panchayats involved nearly the same quantity of outlay.

While the overall achievement of irrigation capacity in the state was so low, the distribution of potential between various districts in the state further highlighted the weakness of performance. Nearly half the districts of the state remained neglected and practically no irrigation was attempted there. In six districts of Dhunkanal, Koraput, Kalahandi, Keonjhar, Mayurbhanj and Sundargarh the level of irrigation was two per cent or less, which indeed was a sad situation.

In terms of the targets of agricultural output too the state's performance was equally casual. The government proposed in its fourth Plan to raise its foodgrain production from 5.3 million tonnes in 1968-69 to seven million tonnes by 1973-74, showing an annual rate of growth of 6.4 per cent. When the actual output for 1968-69 turned out to be 4.1 million tonnes, the target for 1973-74 wa revised to six million tonnes. Furthe on the basis of an assumed output o six million tonnes in 1973-74, the targe for 1978-79, the last year of the fift Plan, has been fixed at eight million ton nes. If the actual achievement fo 1973-74 turns out to be less than si million tonnes, the state may again b tempted to bring down the target. Th state administration should realise tha it would never be able to adhere to it targets of agricultural production unles it had done all it could to make fu use of irrigation potential of the state.

Now that the state has realised th gross injustice done to the six districts, i has planned to exploit their irrigatio potential to the extent of an average o 15 per cent during the fifth Plan period The Plan proposes to complete the conti nuing and new schemes of the fourth Pla and take up some new schemes during th fifth Plan period too. Moreover, wit all these projects the state proposes t bring under irrigation 50 per cent o irrigable area in each district during th next decade. Against the total outla for irrigation of Rs 26 crores for th period of the fifth Plan, the spill-over pro jects from the fourth Plan will con sume nearly 80 per cent. Consequentl the scope for new projects has beer reduced greatly. The state has selected only seven projects out of a district-wise list of 114 projects.

In view of the fact that Orissa has neglected irrigation during the last 2 years of planning, it is high time that the proposed expenditure was raised so that the state is able to give high priority to its various irrigation and flood relief schemes. This is particularly relevant because nearly 84 per cent of the cultivable area is irrigable. The state can exclude its low priority project in other fields. The physical target of at least 50 per cent of irrigated area for each district should be adhered to for the next decade. Only assured water supply can lay the foundations of a sound agricultural base in the state and provide relief from the annual calamity of droughts- Orissa's salvation lies in irrigation.

FROM THE CAPITAL'S CORRIDORS

V. Balasubramanian

Tax-payer's Time • Sugar and Subramaniam • Qureshi Slips • Dikshit in the Dock • Ganesh's Folly • Swami and His Damp Squib

.CH DAY of every session of parliament sts the taxpayer considerable money. is therefore in the public interest that e legislature should attempt to transact much solid work as possible during the riods when it is in session. It is of urse inherent in the parliamentary form democratic government that there should full discussion in the legislature the policies of the government or the fairs of the nation. At the same time e rules of procedure as well as the tradi-ons and conventions governing the work-g of the legislatures are clearly meant ensure that parliament's time which is so the tax-payer's time, is not wasted.

uick work

Lok Sabha, therefore, could no doubt ke credit for completing promptly some portant business last week. For ins-nce, the Finance Bill (No. 2) was passed y the house on August 20 and the Com-anies (Temporary Restrictions on Divi-ends) Bill the following day. It could be aid of course that the two debates ensure erely that the subject matters of the bills oncerned were talked out rather than xamined in a positive and constructive ay. The responsibility for this was cer-ainly the govrrnment's. Because of their ominant majority in the house, the trea-ury benches seem to have cultivated a ca-alier attitude of "take it or leave it." In ne circumstances all that the critics of he bills could do was merely to air their et notions or even prejudices. Conse-uently, there was an air of unreality bout the whole business. The situation could have been redeemed had the government wanted to do so, for they could easily have offered to have a select committee go into the various aspects of the dividend restraint scheme proposed in the relevant bill. The government after all has received a number of representations and memoranda, which have attempted to point out the various ways in which the provisions of the bill could be improved for the benefit of investors and the capital market without the anti-inflationary objective being compromised in any manner. Since the government was not inclined to be responsive in this manner, there was pretty little that the legislature could do to ensure a really fruitful discussion. In the circumstances tax-payers could be thankful that the bills were passed without much waste of time in a Lok Sabha hard pressed always to accommodate its agenda.

precious time lost

This is not to say that economy in the use of the legislature's time was a feature of business in parliament last week. On the contrary some precious hours were spent on August 21 in the Lok Sabha over avoidable controversies. Once again it was the treasury benches on whom blame must rest. Take for instance the furore over the privilege motion against the minister for Food and Agriculture on the charge that there had been a failure on the part of the government to submit to the house, within the stipulated period, the Bhargava Commission's recommendations on the nationalization of the sugar industry. These recommendations were contained in a report which the commission had given to the government on May 15, 1973. The sponsor of the privilege motion, Mr Madhu Dandavate, and its other supporters on the opposition benches naturally questioned the propriety of the government taking so long to place these recommendations before the house.

Mr Subramaniam of course was holding somebody else s baby, but one could sympathize with him only to this limited extent. It was clear that he was trying to take refuge in quibbling when he maintained that the recommendations submitted on May 15, 1973 were in the nature of an interim report and that the final report was presented to the government only on February 27 this year. As one speaker after another pointed out, there was nothing "interim" about the commission's proposals so far as the nationalization issue was concerned. It was a self-contained report which could stand by itself. After all the commission's views on nationalization were submitted to the government earlier than its views on other matters relating to the industry because it was considered that nationalization was a question which had better be decided one way or the other as early as possible so that there could be no uncertainty for long about the future of the industry. It is obvious that the government had been deliberately delaying publication of the commission's views on nationalization because the cabinet is finding it difficult,

R. C. Ummat is on leave. This is a "guest" contribution.

presumably for political reasons, to take a stand on this issue. Quite possibly the tortuous politics of UP have a lot to do with this preference on the part of the government to allow things to drift. In the circumstances the opposition benches were quite justified in trying their utmost to pin the government to a definite undertaking to appear before the house without any further delay with its own definite conclusions on this highly controversial question. By trying to evade the issue and indulging in hair-splitting over interim and final reports, the minister concerned, it appears to me, did help in the time of the house being wasted in prolonged noisy verbal exchanges.

interminable discussion

It was not only on this privilege motion that the Lok Sabha spent an undue proportion of its working time on August 21 on an avoidable controversy or verbal wrangling. Immediately after the privilege motion was disposed of, the Speaker ruling that it was not sustainable, the two sides of the house found themselves locked in an almost interminable discussion over a discrepancy between a statement which had been made earlier by Mr L.N. Mishra in the Lok Sabha and another statement which had been made by the deputy minister for Railways, Mr Mohamad Shafi Qureshi, in the Rajya Sabha regarding the treatment of railway employees who had participated in the May strike but had not been charged with acts of sabotage or other offences involving violence.

On August 19 the deputy minister, answering in the Rajya Sabha a question about the advice of the outgoing president, Mr V.V. Giri, to the Railway minister that railwaymen not responsible for violence or sabotage during the recent strike should be taken back into service, stated rather unguardedly that the president's advice would be "respected and implemented as soon as possible." Mr Qureshi erred grievously on two important counts. In the first place he should have objected to the president or his views being drawn into discussion on the floor of the house for the purpose of influencing the discussion. Unfortunately no other senior minister present in the house nor any other member of the ruling party was vigilant enough to step into the breach.

Secondly, it was apparent that Mr Qureshi allowed himself to be overwhelmed by the mention of the president's views. His undertaking, contained in the words "implemented as soon as possible", clearly went beyond government's policy as declared from time to time both in parliament and outside. If there was to be a deliberate change in that policy as a result of whatever advice Mr Giri might have given to Mr L.N. Mishra, Mr Qureshi should have been content to let that changed position be publicly stated either by the principal minister in his own ministry or by the prime minister. The opposition parties in the two houses were naturally not slow to exploit Mr Qureshi's lapse. On the follownig day, when the Railway minister, Mr L.N. Mishra, referring to the discussion Mr Giri had with him, said that he had only assured the retiring president that sympathetic consideration would be given to the railway employees concerned on the basis of consideration of individual cases, the opposition rightly pointed out that the discrepancy between the commitment made by the deputy minister in the Rajya Sabha and the clarification given by the minister in the Lok Sabha should be reconciled to the satisfaction of the two houses.

back bencher to the fore

Once again the treasury benches, and on this occasion Mr Mishra in particular, erred in not protesting promptly against the president's views being quoted for influencing the debate in the house. One wonders also why Mr Raghuramaiah, the minister for Parliamentary Affairs, was defaulting on his job. It was left to a back bencher in the ruling party to point out successfully that the ground rules governing discussions in the house were being violated. The Speaker agreed and endorsed this objection, but, by then, the mischief had been done and the opposition benches had succeeded in creating an impression that the Railway minister was playing fast and loose with the word of honour he was alleged to have given to the outgoing president.

Perhaps the oddest feature of this episode was that the prime minister chose to intervene after the better part of an hour had been spent on all this wrangle. It remains a mystery what prevented her from speaking earlier. After all the job she had to do was a very simple one once it became clear that the opposition benches were going to obstruct the presentation of the supplementary railway budget until they had all the time they wanted to blow hot air. Mrs Gandhi rightly stated that government policy in this matter was exactly what it had been stated to be on the floor of the house by the Railway minister and herself on a number of occasions and that a casual observation of the deputy minister or even what was said to have passed in a private conversation between the Railway minister and the outgoing president could not be taken as overriding the government's declared stand on this issue.

sound proposition

This was a sound enough proposition and the only question is why the prime minister and all the rest of them should have let so much parliamentary time be wasted before it occurred to them to express this position in so many words and scotch the attempt of the opposition groups to exploit their opportunities in the house for capitalizing politically on the outgoing president's indiscreet observations in the course of a press interview on such a delicate issue. It must also be added that the deputy minister should have been asked to go to the Rajya Sabha at the first available opportunity and apologise to the house for misleading it by exceeding his brief. Had this been done, it would have served as an encouragement to all junior ministers in the government to mind their business and observe the strict limits of their jurisdiction.

Unfortunately, even all that I have so far written does not complete the story of the government's ineptitude in parliament last week. There was for instance the bungling of the Home minister over the disgraceful incidents or indeed the episode as a whole of the notorious "youth rally", so called, in the capital earlier this month. Mr Uma Shankar Dikshit, if nothing else, is at least a practising politician well in the thick of the hurly-burly of this oldest of the professions — the serpent in the Garden of Eden, it may be

alled, was the original politician of em all. He should have known that the position had all the grist it could want r its mill. He should also have rea- ed that it was not only the political rties which were interested in knowing ore about the youth rally and all that ent with it. In the country at large ere has been widespread interest in ports that the government machi- ery and other resources and all inds of unaccounted money had een pressed into service for organizing nd staging this disgraceful exhibition of emagogic politics. In the circumstances, othing less than a high level judicial robe by an independent retired judge of he Supreme Court into all the transac- ions and ramifications of this youth rally ould satisfy public opinion. By dodging he demand for such a probe and insisting n treating the affair as a matter for ad- ninistrative investigation into stray com- plaints or charges, the Home minister has nly strengthened the public impression hat the government has a great deal to ide and a lot to answer for. In the pro- ess he once again contributed to the pending of parliamentary time on unpro- luctive verbal exchanges across the loor of the Rajya Sabha on August 20.

idiculous demagogy

Another minister, who managed to cut n even sorrier figure in parliament last week was Mr K.R. Ganesh, the minister of state for Finance. He attracted much justified ridicule and scorn for planning o perpetrate a perverse travesty of the his- orical sacrament of the Dandi march. Mr Ganesh, however, is not entirely to blame, for his proposal to organize a *gherao* of smugglers on the Gujarat coast is wholly n keeping with the demagogic politics which has become a rule of conduct for eaders in his party much more important han he is. All the same Mr Ganesh does seem to realize that he is bringing the en- tire operations of the government in this country into contempt by suggesting that the only way the state could deal with organized smugglers on a large scale is for a minister in the central ministry concerned to lead a band of political bedfellows on a mission of smoking the criminals out of their nests.

The minister further disgraced himself and the ruling party by confessing publicly that the government was unable to deal with the top smugglers (some of whom he named) because they were men of great wealth and influence who were moving in high circles and had special relations with powerful figures in political or public life. One simple question is, since the chieftains of the smuggling trade could not have grown to their present proportions overnight what was the government doing all these years to catch them in the earlier stages of their horrendous growth? Could the answer be that the politicians of the ruling party were not over-anxious to curb these smuggling activities so long as they were reasonably remunerative without becoming excessively conspicuous or otherwise embarrassing to the high political and social circles in which the smuggler chieftains move and have their being.

overspilling trouble

Incidentally it is amusing to note that, uncomfortably placed as he himself was, Mr Ganesh managed to see that some of this discomfort found its way to the editor of *The Illustrated Weekly of India*. Pointing out that it was necessary for public opinion to be mobilized in support of anti-smuggling operations, the minister complained that the editor of that journal was far from helpful when he played up the exploits of the smuggler chieftains even to the extent of publishing their pictures in colour spreads. This reference to Mr Khushwant Singh predictably prompted one of the MPs to ask whether this more or less famous journalist was not one of those to be honoured with a Padma Bhushan on the occasion of the last Republic Day. The minister however could have explained that the Padma Bhushan was given for other reasons into which it was not necessary to enter. Unfortunately, Mr Ganesh was too full of his own trouble at the moment to be able to spare thought for the possible problems of Mr Khushwant Singh or indeed anybody else.

The special discussion in the Rajya Sabha on August 21 on the underground explosion of a nuclear device at Pokhran was notable in many ways. Athough Mr Subramanian Swamy, the Jana Sangh member, who initiated the discussion signally failed in his purpose of convincing the house that the Pokhran experiment should be the starting point of a programme for this country going for nuclear weapons, it proved to be exceedingly useful because of the opportunity it gave to Mr K.C. Pant to place the government's policies and purposes in perspective.

peaceful nuclear policy

Mr Pant said that the very fact that India deliberately went in for the development of the more sophisticated technology needed for an underground explosion without going through the easier process of staging an explosion in the atmosphere showed that India's nuclear policy from first to last is irrevocably wedded to the peaceful uses of atomic energy. He also explained that if the government had set its face sternly against the Non-Proliferation Treaty, it was simply because, while doing nothing to remove the fear or risk of nuclear warfare the treaty could clearly come in the way of countries such as India exploring and developing nuclear technology even for constructive developmental purposes. Incidentally, Mr Swamy's contention that India's atomic energy programme had not progressed in knowledge or skills beyond the level it reached in 1964 was easily dismissed by implication when Mr Pant pointed out that the Pokhran experiment in fact represented a very considerable advance in atomic research and engineering.

One of the important results of this debate and the minister's clarifications in particular could be to educate the world on the constructive Indian position on the development of nuclear technology for peaceful purposes and disabusing all receptive minds at home or abroad of misconceptions about Indian motives or objectives. It is no doubt true that Mr Swamy himself wanted to make use of the debate to plug his party's thesis that India should arm itself with nuclear weapons. It is true again that Mr Krishan Kant and the ruling party chose to chime in. Nevertheless their demands or assertions only served to bring into bold relief the government's commitment to the development of nuclear technology for peaceful purposes and the broad support that this policy stand commanded in the house.

What are we to do with inflation ?

N. Mahalingam

PRICES WERE relatively stable between 1968 and 1971, but were sent spiralling up by government deficit financing and excessive bank credit from the Reserve Bank of about Rs 2,500 crores in the two years 1971-72 and 1972-73. The increase in wholesale prices for the last week of March 1974, as against the last week of 1973, was 29.5 per cent. The corresponding rise in prices in 1970-71 was 5.5 per cent, in 1971-72 four per cent and in 1972-73, 9.9 per cent. Thus the rate of price rise nearly doubled in 1972-73 as against 1970-71, and nearly trebled in 1973-74 as against 1972-73. No wonder the rupee is worth only 50 per cent of what it was in 1969-70 and 30 per cent of what it was in 1961-62.

This unprecedented price rise in the country has prompted the government to adopt some extraordinary anti-inflationary measures and all sorts of tools have been applied to siphon off the excess money in the economy. The first of these, a ceiling on dividends, provides for a scheme for limiting the after-tax profits distributed by companies. The maximum distributable profits will be (a) 33⅓ per cent of the net profits of the company or (b) an amount required to pay 12 per cent dividend on the face value of the equity shares of the company and dividend payable on its preference shares, whichever is less. This ceiling limit will be in force for two years.

middle class hit

Those who oppose this measure hold that dividend freeze is no answer to our problem of inflation as it would hit hard the middle class investors who had purchased high-dividend paying shares at huge premia. A slash of dividends to 12 per cent would reduce the rate of return and annihilate part of the capital value. Further, the ordinance will accentuate the present none-too-wholesome propensity to divert money from equity investment to either corporate deposits or to more rapacious money lending, demoralise the new issue market and place the entrepreneur in a quandary. The move is likely to drive "risk-bearing" capital into other higher interest paying avenues, retarding capital formation for old as well as new companies. The need of the hour is to substantially to augment industrial production. This will not happen so long as the equity base is shaken by measures of this kind which retard capital formation.

harsh measure

The impounding of wages and dearness allowance which provides for a scheme of compulsory deposit for a period of two years of 50 per cent of the additional dearness allowance that may be sanctioned hereafter is indeed harsh as 90 per cent of the money, expected to be impounded by this measure, will come from the wage-earning sector. Since only just five per cent of the country's population will be covered by organised labour, both in the public and private sectors, it will have to make a 90 per cent sacrifice in the tightening-of-the-belt move by the government. The other 10 per cent or Rs 50 crores will be the contribution of a part of the 10 per cent constituting the upper classes, who mostly hold shares in manufacturing companies. What is obviously forgotten is that the wage earners hardly hold 10 per cent of the currency in circulation while the middle classes might possess another 10 per cent. The affluent who hold a sizeable part of the wealth of the nation, as directors of companies, the self-earning or agricultural or trading classes, will hardly be affected by the measure.

Prof C.N. Vakil and Dr P. R. Brahmananda have rightly asserted that there was a serious error in the government's assumption that money supply to the extent of Rs 500 crores would be impounded. It is an elementary notion in monetary economics that the stock of money is a fraction of the total flow of money income. In India, for every five rupees worth of flow of national income, one rupee worth of money as stock is required. Hence, the impounding of Rs 500 cro of increment in gross wages would im impounding money supply of only abo Rs 100 crores. Currently, money sup is rising at the rate of 14 to 15 per ce The ordinance will, therefore, immobil only less than one per cent of the sto of money.

Mr Chavan's mini-budget, which pr posed Rs 232 crores in additional tax of which Rs 22 crores would go to t states, is not an anti-inflationary measu It is almost wholly a revenue earni measure for the centre undertaken wi a view to covering a little more than t deficit left uncovered in the Februa budget. The excise duties proposed essential industrial raw materials will pu up industrial and construction costs the core sector as well as in others in t private and the public sectors.

levy on interest

Again, the levy on the gross amou of interest received by the schedule banks is as good as the government tal ing away for itself a part of the intere paid by borrowers to banks. The banl are used as a vehicle for gathering th tax. Only if some banks fail to reimbu se themselves fully, the short-fall is tax paid by them directly to the goverr ment. If banks falling in this category ar nationalised banks, the transfer of resou ces in the last resort is book transfer fro one part of the government sector to th treasury proper. In short the whole tenc of the supplementary budget is bullish o prices.

The next measure relates to the dea money policy in the shape of increase Bank Rate from seven per cent to nin per cent. increased minimum lendin rate from 11 per cent to 12½ per cent further tightening of selective credit con trols and a rise in interest rates on fixe deposits. This step has been opposed o the ground that the corresponding ris in lending rates would enhance the mas sive interest outgoing of the industria

ector and push up costs. Moreover, mplementation of credit policy in India is problem by itself fraught with the non-xistence at bank level of credit planning nd of financial discipline. There is a ressing need for control over clean limits nd also proper control over cash credit ccounts so that raw material and finished roduct may not be unduly stocked.

There is also the question whether redit policy is not subject to serious imitations as a weapon for fighting infla-ion. Leaving aside the unforeseen natio-al calamities like droughts, war and the il crisis, hoarders play a major role in ushing up the price line. The real ques-ion is whether a restrictive credit policy ffects the funds available to traders to oard commodities with. I doubt how far it will happen. The proliferation of fin-ancial intermediaries outside the organised commercial banking system and the pre-sence of a big non-monetised sector as well s a marathon parallel black money eco-nomy will function as an effective counter-force to harsh dear money policies.

plight of salaried class

The purchasing power of the rupee has fallen to such a low level that the fix-ed income groups are practically unable to make both ends meet. As salaried classes, they are the worst suffers of the price hike. The purchasing power of their pay packet has been reduced to 20 per cent. For example, the district collector and the suprintendent of police, who were drawing about Rs 1,500 per month in 1935, could buy a car with two months' pay and build a house with six months' pay, but today, they cannot do so even with 12 months' salary. Rice, which was selling at Rs 10 per bag, is now selling at Rs 150 per bag while the salary of these officers has almost remained unchanged. One can easily imagine what the standard of living of a senior officer will be if the value of the rupee is only one fifteenth of what it was forty years ago. Even if we take the last 20 years into consideration, the value of the rupee has gone down to 20 paise compared to 1956. A judge who draws about Rs 3,500 per month finds it difficult to maintain himself at a standard which would be in conformity with his status. Hence what is required is a ma-jor surgical operation. The measures taken so far by the government are palliatives.

We all know that European econo-mies adopted drastic steps to deal with post-war inflation and got excellent re-sults. Between 1944 and 1947 most Euro-pean countries witnessed a situation when the wartime dams which held inflation broke and streams flowing with money turned into torrents while the streams flow-ing with goods and services swelled slowly. This paved the way for a wave of post-war inflation in the United States, the Soviet Union, Africa, China, Europe and even India. Most European countries and the USSR revalued their currencies. In West Germany Dr Erhard introduced a new Deutsche mark and the Reich mark notes were exchanged for the new currency units at varying rates. Consequently the nation witnessed a near doubling of pro-duction on a big base in the sixties in all sectors. In France, a new franc worth 100 of the old franc was adopted in 1960 and, as a result, the economy surged forward at a rate unparalleled in 50 years and pri-vate capital came out of hoards and was put to productive purposes. The Soviet Union followed the French example and revalued the rouble in 1961. Italy fixed the par value of the lira in terms of gold in 1960 and this brought immense gain to its economy.

I suggest that the value of the rupee should be slashed by one-fifth with suit-able provision for bank deposits and other assets. With the sharp deterioration in the purchasing power of the rupee, it has become necessary to adopt corrective measures and improve the external and internal values of our currency. As a major step, the current rupee should be declared equivalent of one-fifth of a new rupee. This will mean that the existing holdings of individuals and firms in cash and deposits with banks will be written down in value to 20 per cent of the out-standing amount. There will simultane-ously have to be corresponding adjust-ment in the face value of securities, equi-ties and preference shares and debentures. This process will facilitate accounting procedures more easily besides having a deflationary effect in directions where savings have been accumulated unduly and held in eash or bank accounts. Psycholo-gically also it will create an atmosphere in which it will be possible for the govern-ment to implement new fiscal policies as was done in France in the post-war period. The ultimate solution of course lies in stimulating production through the provi-sion of necessary incentives and success-ful efforts to prevent a subsequent undue rise in money supply. But with a slashing of incomes and prices under this arrange-ment, there will have to be a correspond-ing upward revaluation of the external parity of the rupee.

This cure should be followed by other supplementary measures such as removal of controls, incentives to production, and production-oriented tax policies. Also, steps should be taken to increase agricultural production in a big way. The earlier we move in this direction the better it will be for the nation.

Eastern Economist 30 Years Ago

September 1, 1944

With a coast-line of about 4,500 miles and 'a country set like a pendant among the vast conti-nents of the Old World' India may very naturally aspire 'to enter into the field of shipping opera-tions'. The value of her coastal trade, after the separation of Burma, amounted to Rs 87 crores. And given the co-operation of the railways and the improvement of harbour facilities, this trade, both in value and tonnage, stands a fair chance of growing still further. Her overseas trade, both merchandise and treasure, stood at Rs 639·85 crores (post-war average) before the depression cut it down seriously and reduced it to Rs 429·46 crores in 1939-40. The number of ship entries and clearances into and from the maritime provinces of India made a tonnage of 22,100,000 in 1938-39. About 70 lakhs of tons of rice, timber and general cargo are carried annually in the coastal trade of India, while her overseas carrying trade comes up to about two crores and fifty lakh tons. As regards passengers, over 15 lakhs of passengers are carried on the west coast and about 5 lakhs of passengers between India and Burma and her overseas passegner traffic consists of about two lakhs.

Dividend restrictions : impact on new issues

A Correspondent

GRAVE CONCERN has been expressed in certain quarters about the adverse impact of the ordinance restricting dividend distribution on the new issue market. This anxiety is particularly highlighted by the professional broker underwriters.

During the next six months, about 30 companies are reportedly scheduled to enter the capital market with a public issue of Rs 54 crores. The total capital outlay on these projects is estimated at Rs 172 crores. Broker underwriters' commitments account for nearly half of the total public issues of these companies. It is said that the underwriting commitments might be terminated under the 'force majeure' clause if the conditions in the stock market do not improve.

An attempt has been made in this article to study the role of broker underwriters in the new issue market so as to understand the problem in proper perspective. The data are mainly drawn from the Reserve Bank of India studies on 'Capital Issues' supplemented by other periodical studies published in the financial press and by the department of Company Affairs.

behaviour of market

Let us briefly examine the behaviour of the new issue market in recent years and the role of underwriters. The new capital issue activity, which had received a sharp set-back in 1971 due to uncertain political and economic conditions arising from Bangladesh events, recovered appreciably in 1972; the tempo was well maintained throughout 1973 and the early part of 1974. The total capital issued by the non-governmental public limited companies (including bonus issues) which had declined to Rs 43.4 crores in 1971 from Rs 66.4 crores in 1970, rose sharply to Rs 92.9 crores in 1972. In 1973, 106 companies raised about Rs 100 crores The share of ordinary issues was Rs 38 crores, Rs 32.17 crores and Rs 59.20 crores respectively in 1970, 1971 and 1972. Out of these, the amount offered to the public was Rs 15.93 crores, Rs 13.94 crores and Rs 34.24 crores respectively.

In accordance with the usual practice of getting the public issue underwritten, in 1972, 93 prospective issues for the amount of Rs 58.8 crores were underwritten. The proportion of the amount underwritten to the total amount offered to the public has declined in recent years. It fell from 94.8 per cent in 1970 to 88.6 per cent in 1971 and further to 84.6 per cent in 1972. It must however be noted that the institutional investors like IDBI, IFCI, LIC, UTI and ICICI together provide the bulk of underwriting support. The share of such institutions constituted 60 per cent of the amount underwritten. Brokers as a class came next in importance, their share being about 28 per cent each in 1971 and 1972 and about 24 per cent in 1970. Details are given in Table I.

This suggests that if the professional broker underwriters back out of their commitments, the institutional support has to be further strengthened. From the long-term angle, the concept of joint sector which has been accepted in our industrial policy, will assume practical importance.

Public support to the new issues however has always been selective, depending upon a variety of factors such as the standing of the promotors and the

TABLE I

Trends in Underwriting Operations (amount in Rs crores)

	1970 Total	1971 Total	1972 Total
1. Number of issues	78	65	112
2. Total amount of issue	57.11	33.13	84.00
3. Amount offered to public	39.43	23.47	67.18
4. Number of issues underwritten	67	57	93
5. Amount underwritten	37.36	20.80	56.83
6. Percentage of 5 to 3	94. 8	88. 6	84. 6
7. Break up of amount underwritten according to category of underwriters			
a) LIC	6.15	3.98	8.01
	(16.4)	(19.1)	(14.1)
b) IFCI	1.28	1.24	4.19
	(3.5)	(6.0)	(7.4)
c) ICICI	5.30	2.19	4.13
	(14.2)	(10.5)	(7.3)
d) SFCs	0.13	0.31	0.44
	(0.3)	(1.5)	(0.8)
e) UTI	5.10	2.02	4.91
	(13.7)	(9.7)	(8.6)
f) IDBI	4.82	2.26	10.95
	(12.9)	(10.9)	(19.3)
g) Banks	2.48	0.82	2.18
	(6.6)	(3.9)	(3.8)
h) Brokers	8.90	5.81	15.89
	(23.8)	(27.9)	(28.0)
i) SIDCs	—	1.46	2.29
	—	(7.0)	(4.0)
j) Government	—	—	—
k) Insurance/investment companies	—	0.68	3.78
	—	(3.3)	(6.6)
l) Others	3.20	0.03	0.06
	(8.6)	(0.1)	(0.1)

NOTE : Figures within brackets indicate percentages to total amount underwritten.

anagement, projected profitability ratios, product-mix, etc. Table II indicates recent trends in this connection. It will be seen that in 1970 out of 33 initial issues for which data were available, 17 were oversubscribed and eight were undersubscribed; in 1971 out of 35, 20 were oversubscribed and eight undersubscribed; and in 1972 out of 57, 32 were oversubscribed and 15 undersubscribed.

That underwriters are sometimes called upon to meet their obligations is not a new phenomenon. Break-up of the data, namely, their share of underwriting obligations and taken as investors in new issues is available from a study made by the department of Company Affairs. These figures are shown in Tables III and IV. In 1968-69 the underwriters had to take 35.9 per cent of the capital issued which dropped to 19.8 per cent in 1969-70, rose to 21.3 per cent in 1970-71 and declined to 17.8 per cent in 1971-72.

unwarranted gloom

To sum up, the gloomy forecast made by the Cassandras about the new issue market is unwarranted, if not deliberately motivated. The public support to the new issues will continue to be selective as has been the case so far. The fact that many issues, for instance, Khandelwal Hermann, Stretch Fibres, UP Asbestos, WG Forge, Centron, etc, which were opened after the promulgation of the ordinance were reported to have been oversubscribed is a point worth noting. No doubt the professional broker underwriters will not be able to manipulate the market and take undue advantage of speculation and premium on new issues.

There were patent cases where such manipulated premium lured the public to bogus issues and as soon as the issues were closed, premium also disappeared. The plethora of letters that appeared in the financial press is too fresh in readers' mind to necessitate a recital of the misbehaviour of certain sections of the stock exchange broker underwriters and issue houses which have grown up like mushrooms in recent years. The Finance ministry came out very late with a directive restraining the underwriters/new issue houses from painting unwarranted rosy pictures about the prospects of the new companies.

A closer examination will show that the ordinance *per se* need not exert any adverse influence on the new market. The ordinance is only for a limited period of two years. In very rare cases, and only running companies (which raise capital for expansion etc), will the new issue fetch dividends within the course of two years. Normally it takes three or four years for new projects to go on stream and start commercial production. The payment of dividends will start still later. Even then many of the new companies will not declare dividend at 12 per cent. These are some of the considerations which are underplayed deliberately, probably to take advantage of the bearish tendency in the stock market. The intelligent and calculated investor need not therefore be unnecessarily exercised over the latest decision of the government.

The psychology of the investor certainly plays a crucial role in his decision to invest. The scare created by the broker underwriters will have a dampening effect on the new issue market. The government will, therefore, do well to make an amendment to the ordinance. In the case of new issues, the distribution of dividend may be restricted to 12 per cent and the second criterion, namely 33⅓ per cent of the profits after tax, may be deleted. The new issues may be defined as those which are coming in the market during the period of six months from August 1974. A period of six months will be enough to restore normalcy and to absorb the adverse impact.

Secondly, as was mentioned earlier, if and when the professional underwriters back out of their commitments, the institutional underwriters such as the LIC, UTI, development banks, etc, should be prepared to fill the vacuum. Their resource-base has to be adequately widened and the Finance ministry should come forward with a suitable scheme in that direction. Pending this, a public announcement by the government of the institutional support to bridge the gap created by the possible reluctance of the professional underwriters will be a great morale booster to the new issue market.

One hopes that the Finance ministry will carefully examine these suggestions and incorporate the amendment suggested as early as possible.

TABLE II

Public Response to New Issues

	1970	1971	1972
1. Total No. of issues for which data are available	33	35	57
2. No. of issues oversubscribed	17	20	32
3 Fully subscribed	—	2	4
4. Undersubscribed	8	8	15
5. Percentage of amount taken up by underwriters due to shortfall in public response	23.4	24.7	14.8

TABLE III

Relative Share of Amount Subscribed in Capital Issued by the Public and Underwriters

(Rs lakhs)

Year	By public	By underwriters		Total of cols. 3 & 4
		As investors	As part of underwriting obligation	
(1)	(2)	(3)	(4)	(5)
1968-69	969.6	1683.3	1485.2	3168.5
1969-70	1178.1	2138.9	814.5	2953.4
1970-71	1915.3	682.1	702.2	1384.4
1971-72	2218.3	294.5	545.0	839.5

TABLE IV

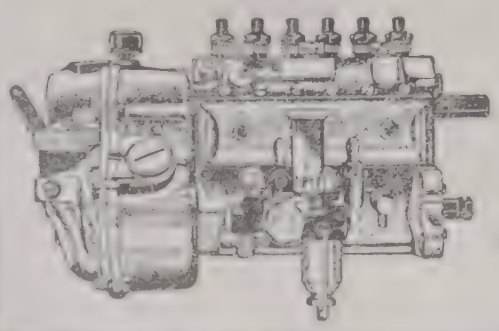
Percentage Share of Amount Subscribed by Public and Underwriters

Year	By public	By underwriters		Total subscribed by underwriters
		As investors	As part of underwriting obligation	
1968-69	23.4	40.7	35.9	76.6
1969-70	28.5	51.7	19.8	71.5
1970-71	58.0	20.7	21.3	42.0
1971-72	72.6	9.6	17.8	27.4

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Nuclear power in Japan

Jossleyn Hennessy

London

WINDOW ON THE WORLD

I
The Key in an Energy Dependent Economy

THAT JAPAN has little indigenous coal and no oil has made her stability and economic progress almost entirely dependent on imported fuels, nearly three quarters of which are currently oil.

The vulnerability of this energy situation has been clearly revealed by recent world events, although the substantial nuclear power programme which has been under way since the second half of the 1960s shows that Japan was already aware of it.

Nevertheless, as the graph (p. 394) shows, the nuclear proportion of total generating capacity is for the moment small, and in view of the time lapse between a decision to build a new station and its coming into service (which, including delays due to safety assessments and licensing procedures, public enquiries, etc., may be from 6 to 10 years), it is not possible to bring about rapidly any substantial improvement. Moreover, there have been various indicators recently that these "lead times" are tending to increase, because of reasons ranging from late delivery of components to opposition from some sectors of the public (which is able to exert influence in Japan through a recently introduced "public hearings" system similar to that in the United States). Over the next twenty years, therefore, reliance on oil as the major energy source seems inevitable, even if some speeding up of the nuclear programme beyond 1980 could be achieved.

Furthermore, note that the only use of nuclear power so far produced commercially is in the generation of electricity; and although electricity is important in a developed country's energy economy, it represents no more than 25 to 30 per cent of the total, the much larger part is industrial process heat, domestic heat obtained by fossil fuels, and most transport other than electric rail services.

Although some portion of this—notably domestic heating—could be replaced by electricity, the net loss of overall efficiency is the use of the original heat (since most electric power stations have efficiencies between 30 and 40 per cent) would be enormously increased, unless the low-grade (i.e. low-temperature) "waste heat" from power stations is used for local domestic heating or other purposes (such as warming water for fish breeding), which could increase overall efficiency though only at extra initial cost. *This suggests that there must always remain, in civilised communities as currently known, a substantial basic dependence on easily transportable liquid or gaseous fuels; the only way in which this could be affected by nuclear power would be through nuclear methods for synthesising artificial replacement fuel.*

For this reason there is great interest, in many countries throughout the world, in the possible use of nuclear heat for such processes as coal gasification or hydrogen gas production by high-temperature dissociation of water. Note, however, that such processes are as yet at an early stage, and are unlikely to have a significant effect on the energy problem before the next decade at best.

What, therefore, is the maximum contribution that nuclear energy, given the resolution of administrative problems (mainly questions governing authorisation to construct and operate nuclear plant) and the achievement of wider public understanding, might be expected to make to resolving Japan's present energy supply difficulties? It is clear that there are limits to the scope for an accelerated nuclear programme, limits which must first of all comprise the maximum percentage to total demand which could immediately be met by nuclear capacity and available finance, as well as the difficulties of choosing appropriate sites for new installations and securing their acceptance by the public.

II
Accelerated Nuclear Programme

Because of the "lead times" for nuclear power station construction (which incidentally are not much above those for conventional fossil-fuelled stations) no decisions taken today can greatly affect the amount of installed capacity before the early 1980s. The most that might be achieved would be some small acceleration of the construction programme already agreed. This might result in a few per cent more nuclear capacity by 1980 than that indicated in the projection.

By 1985 however, provided that the necessary decisions and approvals can be secured within the next two years and provided sufficient industrial capacity can be made available, as much as 30 per cent extra nuclear capacity could be on line; by 1990 this could be 40 per cent more, and between 50 and 60 per cent more by 2000 AD. This could mean that over 90 per cent of all Japanese electricity production would be nuclear by the end of this century.

Some indication of what such an

ccelerated programme would mean in erms of uranium fuel demand (given in he table) which also shows on the ypothesis that the programme remains redominately based on reactors requiring nriched fuel—what the increased demand or enriched fuel could be.

Annual Demand for Uranium and Fuel Enrichment

	1975	1980	1985	1990
Uranium (*10^3 tonnes metal*)				
Current programme	2.3	7.4	11.1	17.3
Accelerated programme	2.3	7.8	14.4	24.2
Enrichment (*10^3 tonnes Separative Work**)				
Current programme	1.3	3.8	6.2	9.1
Accelerated programme	1.3	4.0	8.0	12.7

* The Separative Work Unit (SWU) is a measure of an amount of isotopic separation of fissile Uranium 235 from non-fissile Uranium 238 corresponding, for example, to high enrichment of a small quantity of fuel or lower enrichment of a larger quantity.

Source: OECD Observer

These increased requirements, though vital to Japan, would be a relatively small part of expected total world demand, and there is every reason to believe that they could be met without causing problems in markets elsewhere. It is true that current forecasts of world demand both for uranium and for enrichment indicate that further prospecting should be undertaken urgently, and that plans for additional enrichment plant (the construction of which involves "lead times" similar to those for nuclear power stations) should similarly be carved out within the next few years, if shortages are to be avoided in the early 1980s. But there is already evidence that prospecting is forging ahead and additional plant is on the way.

Japan has little indigenous uranium, so that most of her requirements must (as with most other fuel supplies) be imported. The great advantage of nuclear fuel is that the quantities involved for any given power programme are infinitesimal compared with equivalent quantities of oil or coal; further, because the fuel-cost for nuclear power is only a small percentage of the total cost per kilowatt-hour, large changes in uranium prices cannot greatly affect the power economy.

III

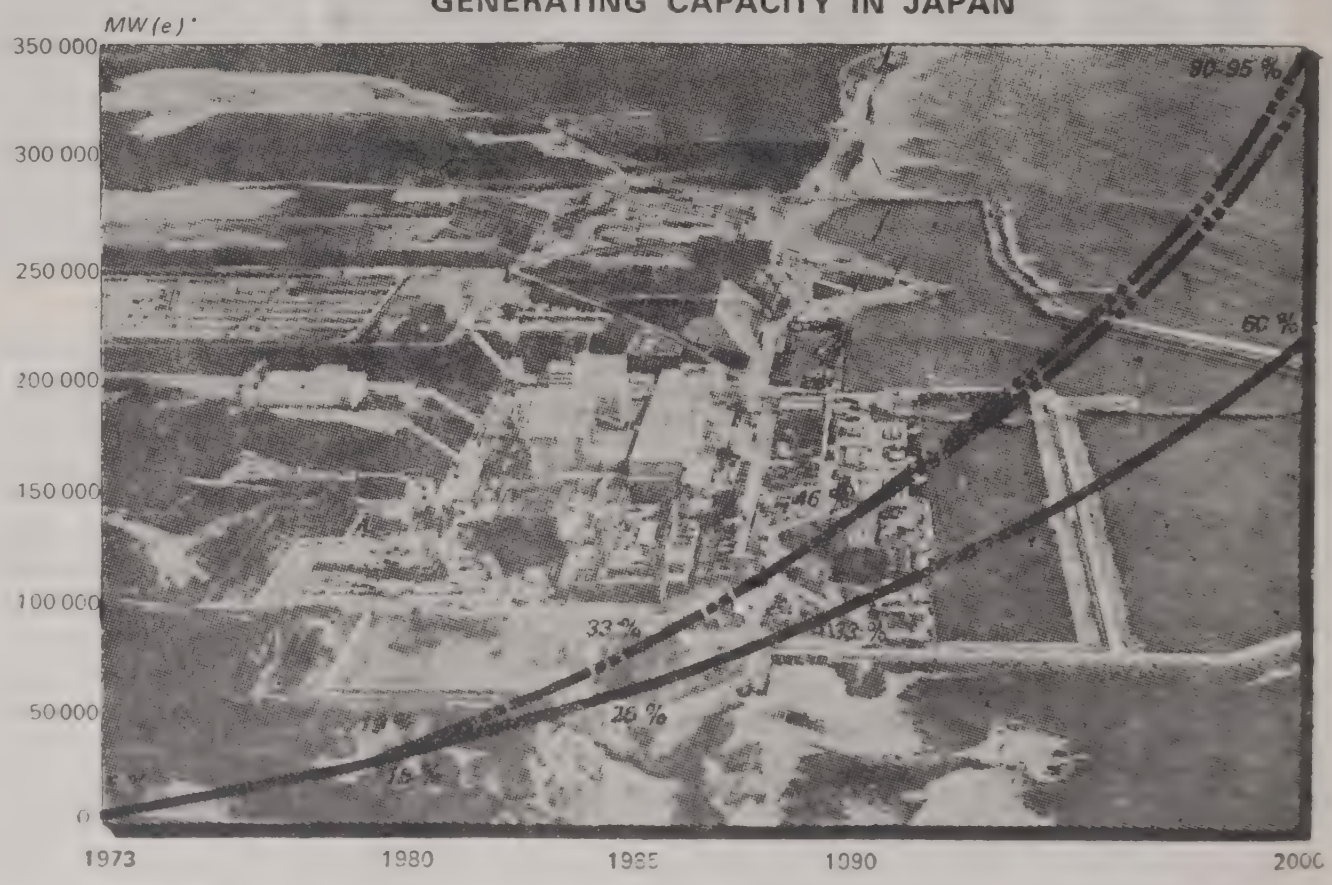
Nuclear Power and the Environment

All this adds up to a powerful argument for increasing nuclear power capacity in Japan as rapidly as possible. We may, however, also recall that nuclear power has other important advantages, notably in protecting the environment. Compared with the effects of the large quantities of sulphurous gases and other matter discharged into the atmosphere by fossil-fuelled power stations, the releases from the nuclear stations (mostly comprising radioactive gases produced during the fission reaction) are negligible. Even so, these releases are subject to rigorous controls, normally considerably more severe than what would be necessary to meet the (already conservative) criteria of such bodies as the International Commission on Radiological Protection (ICRP) which is the world authority responsible for evaluating radiation effects and establishing safety limits.

The most important environment effects of nuclear power stations, however, are not concerned with radioactivity but with waste heat discharge, and here most nuclear stations are slightly less satisfactory than conventional oil or coal stations, because the overall efficiency of a nuclear station is usually somewhat lower than that of a fossil-fuelled station (30-33 per cent instead of 35-40 per cent), so that rather more energy is discharged as waste heat—compared with that usefully converted into electricity—in a nuclear than in a conventional station. This, however, is no problem if the waste heat can be turned to good use, as for example is done at the Japanese research establishment at Tokai-Mura, where warm water from a power-producing nuclear installation is used for the breeding of fish. The yield of young fish, and their size and rate of development has been noticeably improved.

Finally, nuclear power (like power from fossil fuels) cannot be produced without at the same time producing waste materials. In this case the materials are highly radioactive, but are confined inside the fuel elements at the nuclear reactor until these are removed for reprocessing—a mainly chemical

INSTALLED AND ACCELERATED NUCLEAR ELECTRICITY GENERATING CAPACITY IN JAPAN



operation for the recovery of unused uranium fuel as well as certain by-products of the fission reaction.

A considerable part of the waste from such reprocessing operations is highly radioactive, and in particular contains small quantities of materials which remain radioactive for hundreds or possibly thousands of years. However, these materials are produced only in minute amounts, and are thus comparatively easily dealt with by storage in protected areas. Other methods of treating them—notably by incorporating them into stable glass-type substance (which can then be handled, transported, and stored comparatively easily) are being developed. Note that virtually all these highly active wastes (over 99 per cent) are retained in the nuclear fuel until the reprocessing stage and do not therefore present any special problems until they are separated in a fuel reprocessing plant. Even here, their handling, storage and eventual disposal is greatly simplified because the quantities involved are small, typically some 1-2 cubic metres of solidified waste from a year's operation of a 1,000 electrical megawatt light-water reactor power station.

IV

Nuclear Industry

So far we have been discussing nuclear power for electricity production, but most of what has been said (notably about radioactivity and radioactive wastes) applies equally to reactors used for other purposes (such as coal gasification, hydrogen production, steelmaking, and process heat generally), which may eventually be far more important for the economy of Japan (and, indeed, of India or any other country) than electricity alone.

Special reactors are likely to be required for such applications, and Japan is making an important contribution to their development—notably the high-temperature helium-cooled reactor with a graphite core.

Finally, note the promise of nuclear power for ship propulsion. During the era of cheap oil fuel, nuclear powered ships could not expect to compete with conventional vessels, but the recent dramatic changes have already stimulated renewed studies of the economies of nuclear ships, which would, of course, also embody all the same environmental advantages as land-based nuclear plants and it may be that in the coming decades we will see greatly increased numbers of them.

Japan is a pioneer in this field. The NS Mutsu is among the world's first nuclear-powered merchant vessels, and will certainly be the forerunner of a fleet which will maintain and develop Japan's prowess in shipbuilding and maritime navigation.

Sources and Acknowledgements : The foregoing summarises a report in the latest issue of the OECD *Observer* (2 rue Andre Pascal, F75775 Paris Cedex 16), but the OECD is responsible neither for the emphasis of my summary nor for my interspersed comments based on a variety of sources.

W. Europe : two good men and true?

Vienna

E.B Brook

WITHIN TWO weeks two leaders—Nixon and Makarios—have disappeared and a war has raged and ended in Cyprus. Even for a hot summer this is fast political moving; the ultimate effects in Cyprus are unpredictable but, apart from local deaths and suffering, the world goes on undisturbed. The events illustrate the deep capacity of modern politics to absorb shocks, the partial effectiveness of international machinery and, particularly the nervous determination of the most powerful states to prevent changes and disputes bringing them into collision. The world is policed for peace as never before and the policing is generally effective because the prospects of major international conflict are so appalling and the desire for better life so widespread that no local misfortunes or conflicts are going to be allowed to stir up wider trouble.

To some extent these political excitements have helped, usefully, to take peoples' minds off their own real troubles in the peak of the holiday season. The troubles remain and the world is beginning to become resigned to the fact that they are with us for a long time. Even the four-old increase in the price of oil, which OPEC seems determined to maintain, is paling before the overall problem of inflation and the accompaning steady increase of prices and the cost of living More significant than quarrels in Cyprus and the disappearance of the formerly mighty are current harvest prospects, the beginning of efforts by the Common Market in west Europe to begin a political and economic dialogue with leaders of the Arab League and national efforts in West Europe, particularly in France and West Germany, to take a firm line on inflation. In a world of disappearing and ageing leaders two men, Giscard d'Estaing in France and Helmut Schmidt in West Germany, stand out as hopeful leaders for the future. Nowhere else in the west is it possible to discern significant political personalities.

To take these problems in order: current harvest prospects overall are generally less promising than last year's crops. India's relatively poor rabi crop and uncertainity about kharif yield has obliged Delhi to sign contracts for the import of 1,800,000 metric tonnes of food-grain at a cost of at least £113 million. All last year's contracts, including two million metric tonnes of wheat from the Soviet Union, have been used up. In Russia even the target is down by 17 million tonnes from last year's record and except in the Caucasus and southern Ukraine, there is delay in getting the crops harvested. Two weeks ago the Soviet government complained that only 22 per cent of the overall harvest had been cut and that more than 22 million acres of unthreshed grain lay in the fields.

This usual indifferent organization and faulty maintenance of combine equipment is resulting so far in a great deal of cut crops lying in the fields creating what the Soviet newspapers describe as "a dangerous gap" between the amounts of cut and unthreshed grain. The prospect is of the usual last-minute crash harvesting and threshing which inevitably causes much waste of grain and immense problems of storing so much grain which suddenly becomes available. Even in the

ast record year not much less than a hird of the grain was either spoiled or vasted because of this sudden and nsatisfiable demand for storage space. The likelihood is that the USSR will be n importer again this year. Australia s declining to put more land under grain or fear of disturbing its annually profi- able wool trade and in the USA, especially n the corn-rich mid-west, dry and hot veather is likely to put yield about one- enth behind last year's crop. The drought n America is said to have been the worst n 20 years and the result on food prices already steep, is thought likely to be a further 14 per cent rise. These figures are doubly unfortunate at a time when the Soviet Union may again try to buy signi- ficantly in the US and Canadian corn markets and when Egypt is negotiating for immense loans for agricultural com- modities,

dialogue with Arabs

The more realistic brains in west Europe have realized the futility of hoping for cheaper oil and began very recently in Paris a dialogue with the Arab League leaders which are likely to last long and to be painstakingly detailed. With the exception of the French, who believe that oil-consumer nation cartels are doomed to failure, the Market's members are anxious that negotiations with the Arab League should not conflict with the work of the Group of 12 which was set up at the Washington Energy Conference last year as a common front of energy-consuming nations to bargain with the oil producers and their organisation. To keep its partners talking with the Arabs the French have agreed to move slowly but insist that movement in the Arab talks should be continuous. A joint commission of the Market states and the Arab League members and several working groups to examine specific pro- blems of cooperation have been set up and a new joint commission is likely to meet for the first time in November after problems of the commission's constitu- tion have been worked out.

The Brittsh are the most diffident about offending the USA and running counter to the Group of 12 but west Europe is growing tired of the British and their hesitations. France sees long-term economic cooperation with the middle-east as the one purpose of the dialogue with the Arabs and the Arabs look on west Europe, and particularly France, as an alternative to the growing power of the two "super- states" in their area. The Arabs have already made it clear they will use their surplus earnings first in the oil-producing countries themselves, a second fund will be employed in the Arab world as a whole and only a third part will be invested in European countries in return for European technology being made available to both Arab and non-Arab developing countries.

trouble with farmers

At home, though both the French and the Dutch have had violent troubles with their farmers protesting against the Market's fixed prices for farm produce and, more particularly, against the prices arranged between the Market's Commis- sion and the big monopolies who buy up the farm produce, they are likely to solve these discontents with sizeable state aid—in other words the town tax- payer who buys his food increasingly expensively will pay more tax to keep the farmers in a better frame of mind. This is an overall pattern in west Europe now that farmers have discovered their power over governments by stopping production or sales, by rioting aided by their heavy machinery and not stopping short of murder. At a time when the US Treasury Secretary has warned that reducing infla- tion to acceptable levels (not getting rid of it) will take at least five years even if all necessary steps are taken immediately —which is most unlikely—the weapon that living costs and the sinking worth of money places in the hands of those who produce irreplaceable essentials is increas- ingly powerful.

President Giscard of France, whose country has so far this year a gross deficit of 11.7 billion francs, is seeking to reduce the rate of price increases from their present level of about 15 per cent annually to less than 12 per cent by the end of the year and to between seven and eight per cent next year. His anti- inflationary measures have already stren- gthened the franc by 3.2 per cent against the dollar and by 7.3 per cent against the W. German mark. His breaks with his stiff French tradition and humanity in visiting jails to see for himself why so many of prisoners were rioting have earned him the regard of all but the oldest French- men and he is sending a fresh wind through the republic which, once it had its revo- lution, settled down to tedious middle class stuffiness. Like Schmidt in West Germany, Giscard's aim is "always to be ahead of events", he works with a far smaller secretariat than his predecessors. In both France and West Germany there has begun a healthy levelling of income and redistribution of wealth. Giscard's personal intervention to make a park in the centre of Paris instead of a huge building block has won him as much public acclaim as has Helmut Schmidts show of strong authority and pragmatism in place of Brandt's philosophising. The Germans love a pragmatist with a mind of his own and in Schmidt they have got one. West Germany has many problems but the anxiety about inflation, possible growth in unemployment and, above all lack of direction has disappeared. If these two men can take over the Market and reduce its wishful thinking it will be good for Europe.

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Five years of nationalized banking

Three cheers to the bankers

V. BALASUBRAMANIAN

THE FIVE years since fourteen ..ding commercial banks were ..tionalized, their affairs and ..erations have been the ..bject-matter of much un..itical observation or com..ent. They have been praised ..r the wrong reasons and they ..ve also been blamed for the ..ong reasons. On the whole, ..owever, such of us as were ..ot sold on nationalization ..en and are not sold on ..ationalization now have ..ood reason for relief. It is ..rue that there has been con..derable bureaucratization of ..e business of banking and a ..reat deal of political skull..uggery. Nevertheless, even ..fter nationalization, the ..ation's leading commercial ..anks have managed to func..ion without actually courting ..haos or creating a crisis of ..onfidence.

Increasing business

Depositors continue to place their savings with nationalized banks and they are doing so in an increasing measure and in increasing numbers. Simultaneously much of the nation's commerce and industry is continuing to have access or recourse to bank credit for their normal business operations despite periodical outbursts from young Turks, past or present, or other political barbarians about big business or monopoly houses being favoured. It is true, again, that the quality of service to customers or the profitability of the banks themselves has been falling. But, as against this is the fact that there is a general trend in the economy as a whole and in the community at large for efficiency to decline and productivity to fall. The surprise is that, despite a crash programme for the opening of new branches, often indiscriminately or under obvious political pressure and the enlisting of a large number of small accounts and the extension of loan operations to previously uncharted areas, nationalized banking has still been able to function not only as a going concern but also as a growing one.

Creditable service

This journal did not support the nationalization of banks which it considered to be a political gimmick and it sees no reason now to revise that judgement. At the same time it gladly concedes that those who have had unenviable responsibility of actually running nationalized banking have, on the whole, been rendering a good account of themselves. In spite of tremendous political pressure or governmental interference they have seen to it that the nation's organized business activity is not sacrificed on the altar of the so-called priority sectors. Great credit is due to them for ensuring that business requirements of bank finance are considered on their merits as far as possible and met within the limits imposed by the government's dear money policy or selective credit control. But for this realism, flexibility or even imagination shown by some of the leading bankers in the nationalized banking system, a good part of the desirable or legitimate business activity in the organised industrial and commercial sectors could easily have suffered for want of bank accommodation.

Again, thanks to the fact that traditions have proved reasonably enduring, corruption or other malpractices or acts of dishonesty have been kept within limits in circumstances which greatly favour their easy proliferation. Best of all, although nationalised bank management has not been without its quota of those who fish in political waters, it has still been lucky enough to be able to boast of quite a few sound and responsible bankers who have not betrayed the public trust, or played fast and loose with the public interest. All this is most commendable considering the political context in which banks

United Asian Bank Berhad

Since the Malaysian laws do not permit the functioning of state-owned foreign banks in that country, nationalized Indian banks, having branches there, have had to accept arrangements for transferring the business assets and libilities of their Malaysian branches to a new institution set up in conformity with local laws. The Malaysian branches of the United Commercial Bank, the Indian Bank and the Indian Overseas Bank came under this new set-up which was brought into being on the 1st January 1973. With the concurrence of the government of India, the Reserve Bank of India and the government of Malaysia, the three nationalized Indian banks concerned jointly took steps for the incorporation of the United Asian Bank Berhand in Malaysia. The three Indian banks held 33 1/3 per cent of the share capital of the United Asian Bank the balance 66 2/3 per cent having been issued to Malays and Malay institutions and staff and customers and the public in Malaysia. The participating Indian banks have one director each on the board of the United Asian Bank Berhad. The chairman is Tengku Ibrahim ibni Sultan Sir Abu Baker.

The bank has its central office in Kuala Lumpur and ten branches in Malaysia including the main branch and two other branches in Kuala Lumpur. In the chairman's review of the first year of the working of the bank, it is noted that its operations during 1973 resulted in a pretax profit of Malaysian $ 1.7 million, yielding a gross return of around 17 per cent on the share capital and 1.5 per cent on the average working funds.

The total deposits increased from Malaysian $96.7 million at the beginning of the year to Malaysian $ 134.9 million at the end thereof. The rate of growth in deposits at 39 per cent was marginally faster than that registered by the entire banking system in Malaysia at 32 per cent. The increase in deposits was accompanied by an appreciable growth of nearly 45 per cent in the number of accounts.

The bank's advances increased from Malaysian $ 64.2 million to Malaysian $ 100.7 million during the year 1973. Consequently, the credit-deposit ratio rose from 63.7 per cent to 74.6 per cent. The hardcore advances comprised only 64 per cent of total advances, while the remaining 36 per cent constituted lending in the form of Bills Receivables and other re-financeable modes of lending. The total industrial finance granted and outstanding at the end of the year amounted to nearly 25 per cent of the bank's total advances. The commitments of credit made to the industrial sector aggregated to Malaysian $ 52.2 million. The total commitments made to small-scale enterprises at the end of the year amounted to Malaysian $ three million and this marks the beginning of a policy of intensifying its efforts to assist small operators for the purpose of promoting self-employed businesses and animal husbandry, poultry, piggery and dairy projects.

were nationalized and the demagogic attitudes often adopted since than by the prime minister herself and naturally also by her henchmen in the ruling party, in the council of ministers or in the administration. "Quite possibly, the fact that the prime minister has lately come to realize that no more political capital is to be squeezed out of the bank nationalization ritual could mean that the bankers who may be running nationalized commercial banking in the days to come would find it less difficult to persevere in functioning in an increasingly non-political manner for the greater part of the time.

There was a discussion on the Delhi TV recently on the performance of nationalized banking. There was also a debate in the Lok Sabha which gave an opportunity for some well-known wind-bags to let out hot and humid air. Perhaps some of us expected at least the TV discussion to be a reasonably productive affair, if only because Mr Prakash Tandon and Dr V. K. R. V. Rao were among the participants. Unfortunately, Dr Rao could not resist the temptation to indulge in his natural contrariness and with poor Mr Tandon choosing to be on the defensive—god knows why—, the discussion merely served to revive in a particularly pointless way the dying echoes of the nationaliation controversy. It is high time that at least the more intelligent among such of us as write or talk on bank nationalization realized that state ownership or management cannot and will not by itself change the basic responsibilities or the processes of commercial banking. Just as even if the business of government were to be handed over to private enterprise there will have to be armed services to look after the security of the national frontiers, a police force to keep law and order, the courts to administer justice, municipal services to look after water-supply or drainage, government hospitals and schools and umpteen other communal activities, commercial banking will continue to have to pay interest to attract deposits, charge interest on the loans they make so that they can stay in business, provide credit where it is needed for the production of goods and services and generally attend to all that is normally its business even after the President of India has become its one and only shareholder by the grace of the prime minister of India. The sooner this is realized the better it will be both for those who had exaggerated expectations of nationalization as well as those who had been entertaining excessive fears. When it is debatable that the October Revolution had brought socialism to the Soviet Union, it is childish to have expected the nationalization of banks to establish a new Jerusalem. In the same manner there was never any possibility really of the frightful absurdity of bank loans being wholly recalled from the Tatas and the Birlas and re-loaned to taxi drivers, *panwallas* or share-croppers at zero rate of interest.

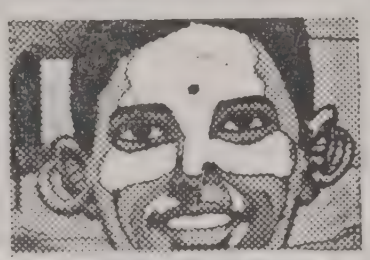
It should therefore be possible to expect that at least in the course of the second five years of nationalized banking there will be less political controversy and far less political monkeying with the business of commercial banking, whether in the public sector or the private, than there has been in the first five years of nationalized banking or in the five weeks or so preceding the act of nationalisation itself. Responsible bankers in nationalized banking having themselves shown that they are both willing and able to run the commercial banking business in the normal way the least that may be expected of the government and the politicians is that they should allow bankers to carry on with their work.

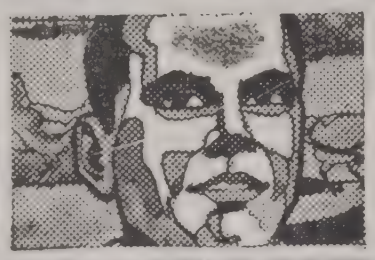
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Rajamma, a basket weaver



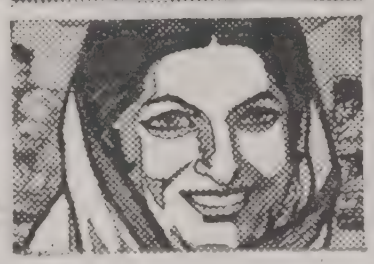


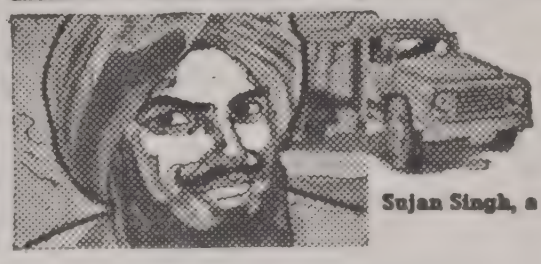


Bhaskar Reddy, a poultry farmer



Amina Banoo, an agarbatti manufacturer





Sujan Singh, a truck driver

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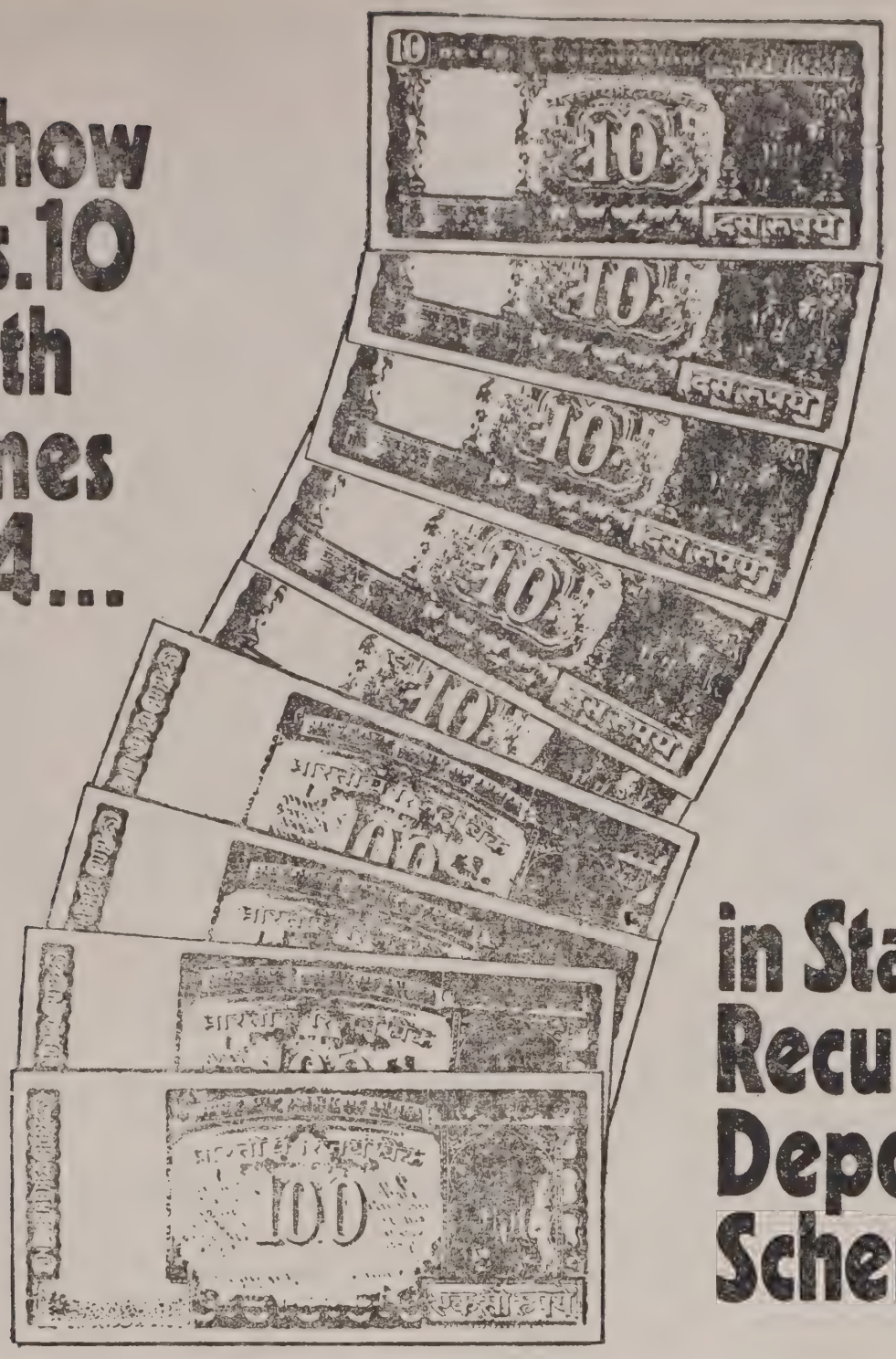
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Monthly Instalment Rs.	12 months Rs.	24 months Rs.	36 months Rs.	48 months Rs.	60 months Rs.
5	63	130	207	289	378
10	125	261	414	577	757
15	188	391	620	866	1,135
20	250	521	827	1,155	1,513
25	313	652	1,034	1,444	1,891
30	376	782	1,241	1,732	2,270
35	438	912	1,447	2,021	2,648
40	501	1,043	1,654	2,310	3,026
45	564	1,173	1,861	2,599	3,404
50	626	1,304	2,068	2,887	3,783
60	751	1,564	2,481	3,465	4,539
70	877	1,825	2,895	4,042	5,296
80	1,002	2,086	3,308	4,620	6,052
90	1,127	2,346	3,722	5,197	6,809
100	1,252	2,607	4,135	5,775	7,565

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Nationalised banks and their performance

S. P. CHOPRA

FIVE YEARS after the nationalisation of 14 major banks in this country, it is instructive to draw up a balance sheet of both their successes and failures. The three salient indicators denoting growth in banking activity are: (1) deposits; (2) credits; and (3) number of branches. A statistical analysis of these three variables between 1969 and 1973 compares favourably with the pre-nationalisation period between 1965 and 1969. It is in regard to profitability that some of the banks have put up a poor performance, though collectively they have not done badly. Also, after a sharp spurt in credits to the priority sectors in 1970, the pace of operations in these chosen areas has slowed down. The recovery performance in agriculture particularly has been much below expectations.

Improved results

Table I compares the deposits and credits of the 14 nationalised banks and the State Bank of India for 1965, 1969 and 1973. The rise in deposits between 1969 and 1973 at 106.6 per cent for the 14 nationalised banks was surely an encouraging improvement over the record of these banks between 1965 and 1969 when expansion was comparatively low at 74.2 per cent. Interestingly, the percentage increment in deposits of each one of the 14 banks between 1969 and 1973 recorded an improvement over the rise registered between 1965 and 1969. It might be argued that the growth in deposits in the post-nationalisation period was the result of the general monetary expansion in the economy. However, what cannot be denied is that the nationalised banks did not relent in the task of mobilising deposits consequent upon increased money incomes generated all over the country between 1969 1973. Remarkable progress was achieved by the State Bank of India with its deposits rising by 131.8 per cent between 1969 and 1973 as against a rise of 64.5 per cent between 1965 and 1969.

The expansionary tendencies witnessed in the case of deposits were also reflected in credits made available by banks to different sectors of the economy though there was a significant change in favour of the priority sectors namely agriculture, small-scale industries, retail trade, self-employed persons and exporters. The rise in credits between 1969 and 1973 (See Table I) for all the 14 banks was 109.8 per cent as compared to a rise of 62.9 per cent only between 1965 and 1969. As in the case of deposits, credits extended by each one of these banks had shown a marked improvement in the post-nationalisation period than in the pre-nationalisation years under reference. The rate of expansion in credits in the case of the State Bank of India (SBI) was somewhat slower. The credits of the SBI increased by 93.5 per cent between 1969 and 1973 as against a rise of 74.9 per cent between 1965 and 1969.

Branch expansion

Again, the story regarding the expansion in branches was as encouraging as in the case of expansion of deposits and credits. Whether the 14 banks were taken collectively or individually, the pattern of growth in the number of offices followed the same line as that of deposits and credits. For example, the 14 banks at the end of 1965 had 2,812 banking offices in this country. By 1969, their number had risen by 64 per cent to 4615. By 1973, the number of offices had risen to 8,786 indicating a rise of 90 per cent. The highest rate of growth in the number of offices in the post-nationalisation period was recorded by the Bank of India, which increased the number of its offices from 310 in 1969 to 753 in 1973, implying a rise of about 143 per cent. In percentage terms, Punjab National Bank was at the bottom of the ladder in branch expansion as the rise in the number of offices was 64 per cent only. However, it was the only bank to enjoy along with the Central Bank of India the privilege of having crossed the 1,000-mark in banking offices at the end of 1973. (Table II)

It is in terms of profit after taxation and bonus that nationalised bank had a slightly different story to tell. Five of these banks had shown a decline in profitability between 1969 and 1973 in relation to their performance from 1965 to 1969. The Central Bank of India—the largest bank in this country after the State Bank of India—had suffered a steady decline in profitability. In 1965, with deposits of Rs 306.04 crores, it had recorded a profit of Rs 1.34 crores. Four years later, in 1969, its deposits has risen by 57.7 per cent to Rs 482.47 crores but its profits had dropped by about 19 per cent to Rs 1.09 crores. The same downward trend persisted even after its nationalisation in 1969. By 1973, though its deposits had risen to Rs 934.15 crores, its profit had dropped further to Rs 0.75 crores. The other banks whose profitability had declined after nationalisation were Dena Bank, Allahabad Bank, United Bank of India and Bank of Maharashtra.

Among the objectives of

Steady Growth in 5 Years of Bank Nationalisation Bank of Baroda

	1973	1969
Deposits (rupees in crores)	729·56	354·91
Advances (rupees in crores)	460·83	233·81
Advances to Priority Sectors (number of accounts)	113,390	28,231
Number of Branches	785	433

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ionalisation of major banks s the expansion of credit small borrowers in priority tors such as agriculture, all-scale industries, road and ter transport operators, ail trade and small business, ofessional and self-employed rsons and education. Table III (p. vi) sets out the progress which the public sector banks have made in making advances to these priority sectors. It is clear that among these sectors top importance has been given to small-scale industries followed by agriculture, retail trade and small business and others. The value of advances multiplied almost three times from Rs 441 crores in June 1969 to Rs 1295 crores in June 1973. The total advances to these sectors are likely to have exceeded the Rs 1,500-crores mark by June 1974.

Whereas in June 1969 the advances made by public sector banks to priority sectors were 14.9 per cent of the total advances made by these banks, the share of priority sectors rose to 24.3 per cent in June, 1973. It means that out of an advance of four rupees roughly one was made to the priority

TABLE I

Deposits and Credits of Nationalised Banks 1965, 1969 and 1973.

ame of bank	Total deposits					Total credits				
	Amount (Rs crores)			Percentage growth		Amount (Rs crores)			Percentage growth	
	1973	1969	1965	From '69 to 73	From '65 to 69	1973	1969	1965	From '69 to 73	From '65 to 69
. Central Bank	934.15	482.47	306.04	93.6	57.7	623.95	351.22	226.45	77.7	55.4
2. Bank of India	804.09	431.59	235.72	86.1	82.9	569.31	253.05	173.42	125.0	46.2
3. Punjab National Bank	741.24	383.39	232.95	93.3	64.6	428.50	226·53	165.82	88.7	36.4
4. Bank of Baroda	729.56	352.18	185.92	107.2	89.3	460.83	196.14	119.79	135.1	63.4
5. Canara Band	443.97	180.00	98.56	146.6	81.8	282.15	125.47	59.57	125.7	109.7
6. Dena Bank	270.20	134.39	80.78	101.6	65.8	198.57	85.87	53.16	130.8	62.0
7. Union Bank	333.79	133.10	67.95	150.9	95.7	233.34	86.50	42.42	168.7	105.9
8. Allahabad Bank	217.51	122.47	79.89	77.6	53.0	134.09	85.13	58.17	57.7	46.7
9. United Commercial Bank	480.65	240.44	141.16	100.2	70.5	315.28	162.82	102.79	93.4	58.0
0. United Bank of India	369.98	168.19	100.03	120.2	68.2	236.18	118.01	69,77	100.1	68.5
1. Syndicate Bank	343.78	144.72	58.01	137.0	149 5	230.41	104.92	37.25	119.4	183.5
2. Indian Overseas Bank	209.70	86.89	52.23	141.3	67.0	137.37	56.23	34.80	145.3	60.6
3. Indian Bank	216.75	88.70	58.18	143.5	52.9	152 50	64.90	37.20	134.6	75.4
4. Bank of Maharashtra	175.05	86.08	44.53	103.5	91.2	120.59	49.74	26.11	141.1	91.3
Total 1 to 14	6270.42	3034.61	1741.96	106.6	75·2	4127.07	1966.53	1206 72	109.8	62.9
15. State Bank	2582.96	1114.11	676 91	131.8	64.5	1627,39	841.35	481.22	93.5	74.9
Total 1 to 15.	8853.38	4148.72	2418.87	113.3	71.5	5750 46	2807.88	1687.94	104.6	66.3

Figures for 1965 and 1969 are taken from Statistical Tables (RBI) and for 1973 from individual balance sheets.

TABLE II

Profitability and Expansion in Banking Offices

	Profit after taxation and bonus.					Number of offices in India				
	Amount (Rs crores)			Percentage growth		Number			Percentage growth	
	1973	1969	1965	From '69 to 73	From '65 to 69	1973	1969	1965	From '69 to 73	From '65 to 69
1. Central Bank	0.75	1.09	1.34	(—)31	(—)18.7	1165	673	407	73.1	65.3
2. Punjab National Bank	1.03	0.75	0.94	37	(—)20.2	1015	619	456	64.0	35.7
3. Bank of India	1.59	1.06	1.03	50	2.9	753	310	165	142.9	88.0
4. Bank of Baroda	1.01	0.56	0.54	80	3.6	759	411	234	85.0	76.0
5. Canara Bank	0.49	0.23	0.21	113	9.5	739	369	230	100.4	54.0
6. Dena Bank	0.13	0.23	0.23	(—) 43	—	565	258	153	119.0	69.0
7. Union Bank	0.41	0.17	0.21	141	(—)19.1	579	273	124	112.0	120.0
8. Allahabad Bank	0.10	0.21	0.19	(—) 52	10.5	333	170	109	96.0	56.0
9. United Commercial Bank	0.85	0.50	0.58	70	(—)13.8	670	366	214	83.0	71.0
10. United Bank of India	0.07	0.26	0.26	(—) 73	—	409	200	123	104.0	63.0
11. Syndicate Bank	0.48	0.29	0.31	66	(—) 6.5	638	355	206	80.0	72.0
12. Indian Overseas Bank	0.23	0.09	0.17	155	(—)47.0	384	209	118	84.0	77.0
13. Indian Bank	0.28	0.07	0.18	400	(—)61.1	427	239	164	81.0	46.0
14. Bank of Maharashtra	0.02	0.13	0.13	(—)85	—	350	164	100	113.0	64.0
Total 1 to 14	7.64	5.64	6.32	35	(—)10.8	8786	4615	2812	90.0	64.0
15. State Bank	4.12	2.80	2.01	47.1	39.3	3027	1660	1267	82.0	31.0
Total 1 to 15	11.76	8.44	8.33	39	1.3	11813	6275	4079	88.0	54.0

sectors. This was no mean achievement on the part of the nationalised banks but their record in regard to realisation of dues was far from promising. In agriculture particularly, the pace of realisations of loans had been rather disappointing. Earlier, agricultural cooperatives had burnt their fingers because they had failed to realise credits made available to farmers. Since commercial banks cannot afford to write off losses even in a priority sector on a large scale, they will have to operate cautiously in this field.

The advances to priority sectors jumped from 14.9 per cent of total advances in June 1969 to 21.3 per cent in June 1970 but in subsequent years, their progress, in percentage terms, was halting and hesitent. They rose to 22.0 per cent in June 1971, to 22.9 per cent in June 1972 and to 24.3 per cent in June, 1973. It appeared that recovery of dues was posing a number of problems and the banks felt to be unequal to the task of advancing additional funds in these sectors.

Figures are available in respect of recovery of agricultural advances made by public sector banks as at the end of June 1972. The percentage of recovery to total demand as on June 1972 in respect of public sector banks was 50.7 per cent (See Table IV). Whereas total demand as at the end of June, 1972 was Rs 119.42 crores, recovery was no more than Rs 60.58 crores. The best record was that of Haryana which showed the highest recovery rate at 65.9 per cent. The worst was in respect of Meghalaya and Manipur where no recovery was made. In Maharashtra where agricultural advances were the highest in value, the recovery rate was 43 per cent.

The credits advanced to priority sectors suffered from regional disparities in the sense that some of the states got the lion's share while other were starved. The states of Maharashtra, Tamil Nadu, Gujarat, Mysore, West Bengal and Andhra Pradesh got nearly two-thirds of the public sector banks' credit to priority sectors. The other states got left out in this race, though lately attempts were being made to correct regional imbalances. Even within individual states only a few districts were able to get the bulk of the credit. This was largely due to the fact that the banks had been given no clear-cut instructions in this regard. Immediately after nationalisation the leading banks were anxious to extend credit to any one in the priority sector without regard to any basic criteria. Because obtaining credit from banks needed some skill, it was the enterprising sections in the priority sectors which availed of this opportunity; those who needed assistance in this regard were left high and dry.

TABLE III

Advance of Public Sector Banks to Agriculture and other Priority Sectors

	Amount outstanding (Rs crores)				
	June, 1959	June, 1970	June, 1971	June, 1972	June. 1973 (Provisional)
1. Agriculture					
(a) Direct Finance (excluding plantations)	40.20	160.31	206 37	231.89	297.86
(b) Indirect Finance	122.09	141.26	134.59	156.58	170.83
2. Scale-scale Industry	251.10	369.50	442.20	527.10	643.86
3. Road and Water Transport Operators	5.49	24.42	39.85	50.43	62.71
4. Retail Trade & Small Business	19.37	64.45	71.98	77.43	94.76
5. Professional & Self-employed Persons	1.91	6.64	8.61	12.16	21.21
6. Education	0.80	2.06	3.70	3.70	3.20
7. **(Total 1 to 6)**	440.96	768.71	907.30	1058.51	1295.43
8. 7 as Proportion of Total Advances by the Banks mentioned above.	14.9	21.3	22.0	22.9	24.3

TABLE IV

State-wise Classification of Recovery Performance in respect of Agricultural Advances (Direct) by Public Sector Banks—June 1972

State/Union Territory	Demand	Recovery	Percentage of recovery to demand
1. Andhra Pradesh	2095.63	1157.49	55.2
2. Assam	34.66	8.47	24.4
3. Bihar	263.11	148.63	56.5
4. Gujarat	1318.70	705.32	53.5
5. Haryana	236.05	155.46	65.9
6. Himachal Pradesh	1.99	0.67	33.7
7. Jammu & Kashmir	1.38	0.33	23.9
8. Kerala	200.57	97.64	48.7
9. Madhya Pradesh	511.79	245.87	48.0
10. Maharashtra	2641.13	1135.12	43.0
11. Manipur	0 55	Nil	Nil
12. Meghalaya	0.03	0.03	100.0
13. Mysore	1288.94	638.25	49.5
14. Nagaland	0.15	0.04	26.7
15. Orissa	61.40	24.17	35.3
16. Punjab	324.88	190.82	58.7
17. Rajasthan	338.65	178.86	52.8
18. Tamil Nadu	1120.56	633.41	56.5
19. Tripura	0.48	0.24	50.0
20. Uttar Pradesh	982.87	554.98	96.5
21. West Bengal	379.37	59.62	21.3
22. Union Territories	232.49	122.74	52.8
All-India	11942.39	6058.16	50.7

Nationalised banks in farm financing

DR. B. RAMACHANDRA RAO

TILL THE beginning of the last decade, farm financing in this country was considered to be the exclusive preserve of the cooperatives in the rural area and the Reserve Bank was frowning upon any commercial bank that ventured to make any agricultural advance on the ground that it is not the area of commercial banks to finance agriculture. But after the introduction of the social control measures and with the nationalisation of the 14 major commercial banks, the policy has been reversed and now the Reserve Bank is frowning for not making agricultural advances in a big way. Agriculture has taken a pivotal position among the priority sectors of the economy and banks have been called upon to finance agriculture in all possible ways.

Important place

There are reasons to assign an important place for agriculture in our economy. Agriculture supports more than 70 per cent of the country's population and contributes about 50 per cent of its national income. Further agriculture-based commodities account for about 50 per cent of our total export earnings. Moreover agricultural sector provides market for the products of industry such as consumer goods, fertilisers, pesticides and other farm inputs, such as machinery and equipment.

For raising the rate of growth of agricultural production, main emphasis has been laid on the high-yielding varieties of foodgrains. This requires (1) augmentation and intensive utilisation of irrigation facilities, (2) increasing use of fertilisers and pesticides, (3) greater use of high-yielding and hybrid varieties of seeds, and (4) multiple cropping through the introduction of short duration varieties.

Banks also render assistance to the agricultural economy by indirect finance, i.e., financing the distributors of inputs such as fertilisers, seeds and insecticides, advancing to agencies providing custom service to farmers, subscribing to the bonds of state electricity boards, etc. They also render financial assistance for the development of dairy, poultry, piggery, animal husbandry, pisciculture, sericulture etc.

Urban bias

So far agriculturists depended upon the village money-lenders for their credit needs. The reason was that till 1969 Indian banking had developed with an urban bias. Though India is a land of villages, villagers had to look to the money-lenders for their financial requirements in the absence of banking facilities. Obviously there was no perceptible economic development in rural India.

One of the avowed objectives of nationalisation of the 14 major banks was to open more and more branches in rural areas to spread the banking habit among the farming public and to release them from the clutches of the money-lenders charging usurious rates of interest. In tune with this objective a large number of branches were opened in rural centres resulting in a substantial rise in the advances of commercial banks to agriculture. On July 19, 1969 there were only 1,860 rural branches. As on September 30, 1973, the figure rose up to 5,692 which is 36.1 per cent of the total number of branches. Between July 19, 1969, and September 30, 1973, 3,832 rural branches were opened which was 51.4 per cent of the net increase of 7,450 branches during the same period. On the eve of nationalisation, the number of bank branches located in rural areas accounted for no more than 22.4 per cent of the total branches.

The percentage of bank branches in urban centres which was 17.5 per cent on the eve of the take-over of banks had come down to 16.9 per cent at the end of September 1973. Similarly the proportion of bank branches in metropolitan centres and port-towns had come down from 20 per cent on the eve of take-over to 16.5 per cent at the end of September 1973. This is because of the incremetal ratio for rural branches during the period, i.e., the proportion of rural branches to the total number of new branches was over 51 per cent.

The penetration of banks into the rural area after nationalisation of major banks has been possible because of the 'Lead Bank Scheme' of the Reserve Bank of India. Under the scheme 338 districts were allocated among the various public sector banks to carry out a quick and impressionistic survey of each district with a view to identifying unbanked growth centres suitable for branch opening. Already 324 districts have been surveyed and as a result of these surveys, a number of rural branches have been opened resulting in stimulating elements of growth in the rural economy. The new rural branches have not only extended credit to the farmers liberally, but have also collected their savings resulting from the use of bank funds. Although the initial progress in

TABLE I

Advances of Public Sector Banks to Agriculture (number of borrowal accounts)

	No. of borrowal accounts/units as at the end of				
	June 1969	June 1970	June 1971	June 1972	June 1973*
Agriculture					
(a) Direct finance (excluding plantations)	160,020	612,477	793,100	926,583	1246,326
Indirect finance	4,461	19,076	23,811	144,205	124,361

*Provisional

TABLE II

Advances of Public Sector Banks to Agriculture (amount outstanding)

(Rs crores)

	Amount outstanding as at the end of				
	June 1969	June 1970	June 1971	June 1972	June 1973
Agriculture					
(a) Direct finance (excluding plantations)	40.20	160.38	206.37	231.89	297.86
(b) Indirect finance	122.09	141.26	134.59	156.58	170.83

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(by the end of June 30, 1974)

* We carried the message of barking to the far off islands in the Indian Ocean and Arabian Sea. We also entered three more Union Territories and five new States.
* We increased the number of our Branches from 306 to 665. Over 68% of them were in the rural and semi-urban areas.
* We increased the total deposits from Rs. 126.86 crores to Rs. 334.57 crores—adding Rs 207 71 crores. The number of deposit accounts increased from 13.28 lakhs to 37.92 lakhs—adding 24.64 lakhs new accounts.
* We increased our advances from Rs. 90.36 crores to Rs.234.63 crores—adding Rs. 144.27 crores. The number of borrowing accounts increased from 2.62 lakhs to 7.24 lakhs—adding 4.62 lakhs new accounts.
* We advanced an amount of Rs. 108.31 crores to the priority sectors which account for nearly 46% of the bank's advances
* We had nearly 98% of the deposit accounts having balances of less than Rs. 5000 and nearly 72% of the borrowing accounts were for amounts less than Rs. 1000/- as on December 31, 1973.
* As on March 1974 we financed 1680 educated unemployed youth to the tune of Rs. 295.68 lakhs. This in turn created opportunities of employment for 6496 persons.

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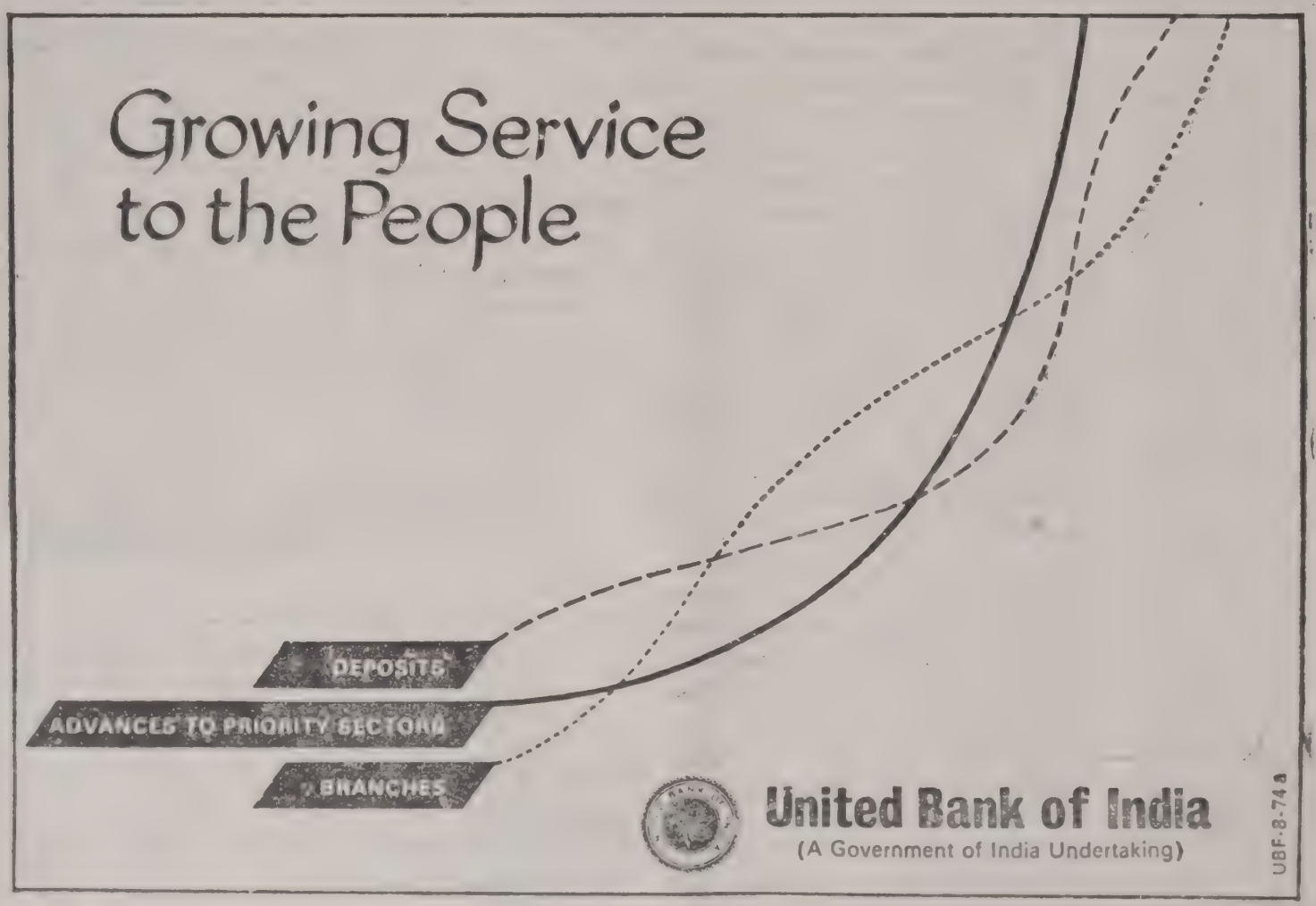
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uite slow, over a period of ears, the rural economy is ound to show remarkable rowth in all areas of operaons. Table I gives the gures for farm financing done y the public sector banks nce June 1969.

The quantum of advances ade by the public sector anks is depicted in Table II.

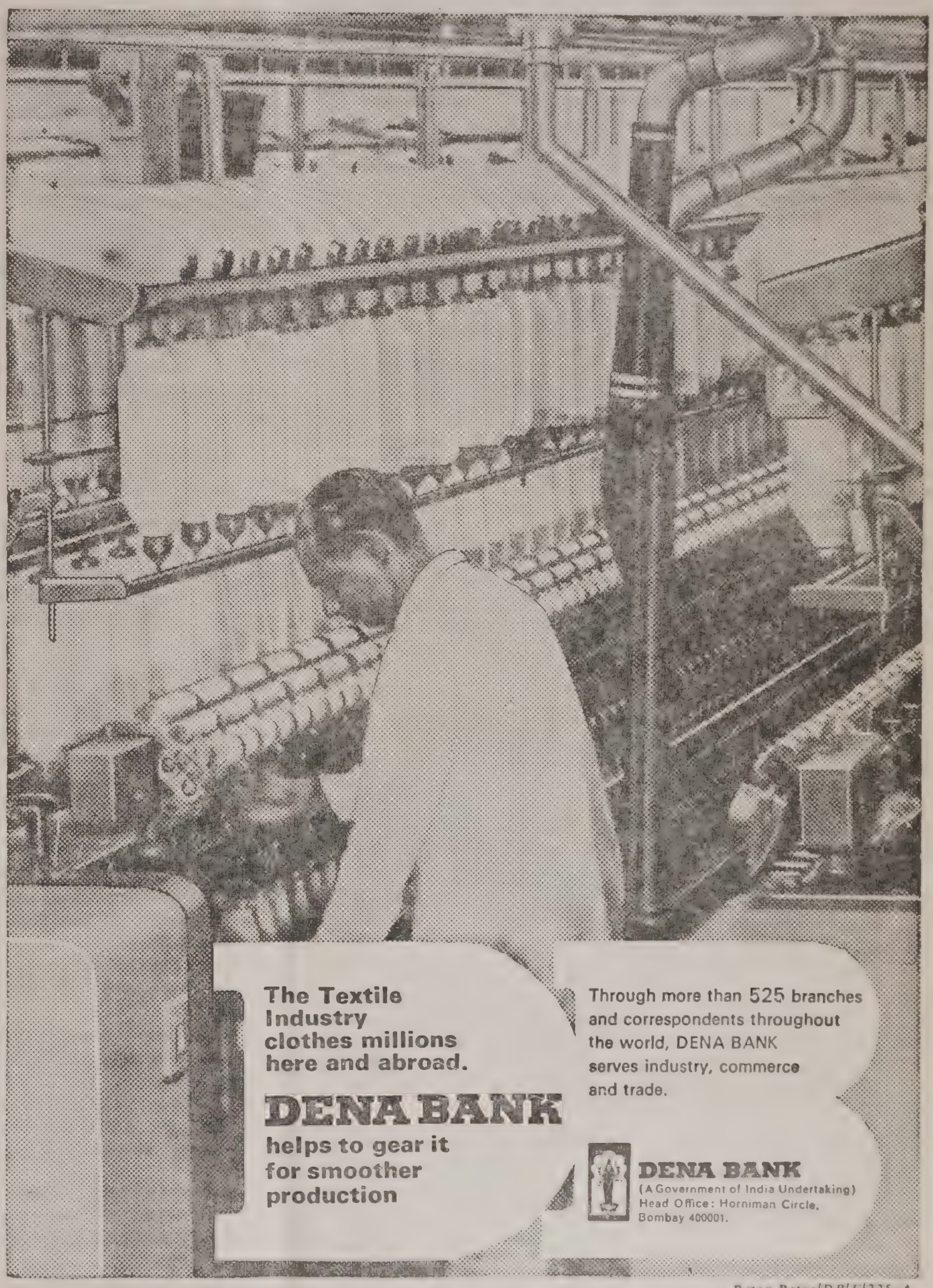
From Tables I and II it is lear that both in number of ccounts and in the quantum f credit, the public sector anks have shown lot of mprovement in their efforts in nancing agriculture. The umber of borrowal accounts ith public sector banks has ncreased from 164,000 to bout 137,000 and the amount nvolved has increased from s 162 crores to Rs 469 crores.

Agricultural loans

Public sector banks have been making special efforts to meet the credit needs of small farmers. The holding-wise data on short-term loans, i.e. crop loans, for agricultural operations, show that as at the end of March, 1973, very small and marginal farmers having up to 2.5 acres of land-holdings constituted 40 per cent of the total number of borrowers in this sector.

Several measures have been taken by public sector banks to step up the flow of credit to the agricultural sector by extending their geographical coverage, introducing special types of credit schemes, and simplifying procedural formalities. Banks are concentrating on compact areas through intensive programmes instead of spreading their activities over wide areas. The area approach aims at intensive coverage of the selected areas for meeting the total credit needs of the borrowers and for ensuring, at the same time, effective supervision over the end-use of the loan. The district consultative committees constituted by lead banks at the district level serve as forums for the banks to select villages for adoption. The number of villages adopted by public sector banks was 6,817 as at the end of March 1973.

As a part of the strategy of area approach, the State Bank of India and its subsidiaries had, up to the end of 1973, opened 134 agricultural development branches, of which 84 are located in backward states. These branches have been actively participating in agricultural development programmes sponsored by the central and state governments. Of these 134 branches, 39 are located in Small Farmers' Development Agency (SFDA) districts, 10 in Marginal Farmers' and Agricultural Labourers' Agency (MFALA) districts, 14 in areas covered by International Development Projects and nine in areas selected by the state governments. The fact that 86 per cent of the farmers financed by these branches were those with holdings of 10 acres and less and the average outstanding credit of Rs 1,700 per account, at these branches, as against the average of Rs 2,250 per



account for all the branches of the State Bank group, will go to show that mainly small farmers are getting credit at these branches.

While banks are increasingly adopting the area approach, individual banks also entertain proposals of clients from areas within a reasonably manageable distance from the branch. Usually 10 miles radius has been indicated for entertaining such proposals. This is not a rigid yardstick and is determined more by the staff strength of a branch and its capacity to supervise the credit extended and communication facilities available for the purpose.

In order to increase the capacity of commercial banks to reach as many borrowers as possible, a scheme was introduced in 1970 for financing primary agricultural credit societies by commercial banks, on a pilot basis, in 49 districts spread over five states, namely, Andhra Pradesh, Haryana, Madhya Pradesh, Karnataka and Uttar Pradesh. The scheme has now been further extended to the states of Orissa, West Bengal, Bihar, Jammu & Kashmir and Maharashtra.

Cooperative societies

During the year ended June, 1973, 1570 cooperative societies in 55 districts were extended short-term finance to the tune of Rs 9.58 crores, by 318 branches of 20 commercial banks. Since the introduction of the scheme in 1970-71, as many as 83,000 new members have been admitted to the societies taken over by commercial banks. A scheme has been started to set up farmers' service societies in selected areas in different states in consultation with the respective state governments. The farmers' service societies are aimed at providing integrated credit and all ancillary services to small farmers. Eleven such societies have been set up by seven public sector banks in five states.

Commercial banks are evolving special credit schemes suitable to the areas of operation of their branches. These schemes are related not only to agriculture as such but also to allied activities like mixed farming. In formulating such schemes, special steps are taken by commercial banks to dovetail them with the agricultural schemes of different state governments. Among these schemes, mention may be made of the crash programme for providing pumpsets to farmers in Bihar, emergency wells programme of the government of Maharashtra and construction of wells and provision of pumpsets under the government of Rajasthan's famine relief programme.

New technology

Good progress has been achieved under special programmes formulated for taking the benefits of new technology in agriculture to small farmers and to marginal farmers in drought prone and tribal areas. Commercial banks have started making investment loans to small and marginal farmers in areas covered by Small Farmers' Development Agencies and Marginal Farmers and Agricultural Labourers' Agencies. In the SFDA areas, production loans advanced by commercial banks during the period April, 1972, to March, 1973, totalled Rs 123,38,000 and under MFALA areas Rs 35,92,000. Investment loans given by commercial banks up to the end of June, 1973, in SFDA areas amounted to Rs 30,302,000 and MFALA areas Rs 233,31,000.

Several procedural steps have been taken by commercial banks to simplify formalities for obtaining loans for agricultural purposes. Some of these are listed below:

(i) In extending credit to small farmers, insistence on security could be a real impediment. Banks have tried to meet this problem by relaxing their stipulations in this respect, so that no small farmer would be denied bank finance for his genuine credit requirements for want of adequate security. The first change that has been made is that in the case of small farmers, operating on collective basis, the banks have started accepting group guarantees. So far as small size crop loans are concerned, e.g. those eligible for credit guarantee cover, all that banks now ask for is hypothecation of the

Sauce for the Goose

We often hear a half-baked suggestion from the 'radical' politicians in our midst that, as a logical expansion of the nationalisation of the 14 leading commercial banks, the government of India should take over the business of foreign banks operating in our country. This demand betrays ignorance or prejudice or both. Apart from the fact that these foreign banks are able to attract business in a competitive field because they render useful service to our commerce, industry and other sectors of the economy, there is also the point that some of our nationalised banks are not only functioning abroad but are also planning to expand their activities in international banking. If the government of India were to adopt an arbitrarily negative attitude towards the functioning of foreign banks in our country, it will certainly be creating difficulties for our nationalised banks in their own foreign banking operations. Moreover, the trend in banking the world over is for national economies to be served increasingly by international net-works of credit and financial institutions.

In this connection it is well to have an idea of branch offices or other facilities which our nationalised banks are already operating in foreign countries or are planning to set up hereafter. The Central Bank has a foreign branch in London. The Bank of India has its main office in London and five more branches in as many cities in the UK. The directors' Report for the year 1973 says that the bank has plans to establish two more branches at two other centres in that country. The report also mentions that in Europe a branch has gone into business in Paris with effect from May 1974; branches may be opened in due course in other financial centres in Europe. In the Far East, a representative office of the Bank of India was opened at Jakarta in Indonesia in February, 1973. This bank has branches also in Singapore, Hongkong and the two Japanese cities of Tokyo and Osaka. The Bank of India (Nigeria) Ltd, is a subsidiary which has its main office in Lagos and a branch at Ibadan; it has plans to open five more offices during 1974-75. The Bank of India has also another foreign subsidiary namely The Bank of India (U.K.) Nominees Ltd.

The Bank of Baroda is another nationalised Indian bank with operations abroad. Apart from a subsidiary — the Bank of Baroda (U.K.) Nominees Ltd — this bank has its main office in London and two more branches in the UK, a branch office at Narayanganj in Bangladesh, one in Kenya, eight in Fiji Islands, two in Guyana, five in Mauritius and a subsidiary in Uganda with three branches.

The United Commercial Bank operates in Singapore with three branches, in Hongkong with two branches and in the UK with one branch located in London. The United Bank of India has 15 branches in Bangla-Desh, while the Indian Bank has two overseas branches, one in Singapore and the other in Colombo and the Indian Overseas Bank three branches abroad, one each in Singapore, Colombo and Hongkong.

As India's business community extends its industrial and commercial activities abroad, especially through joint ventures, the scope for Indian commercial banking developing its operation in foreign countries should also increase.

standing crop and personal surety of the borrower; there is no insistence on security of fixed assets. So far as loans to bigger farmers are concerned, banks do ask for mortgage of land. In their case, where facilities for creation of equitable mortgages are available, banks avail themselves of these facilities and the mortgage is created only by the deposit of the title deeds with the banks. For medium-term advances, if they are within the range of Rs 3,500 to Rs 5,000, banks accept hypothecation of the assets to be created out of the loans and do not insist on security of the land. Under the schemes for financing agro-service centres formulated by banks, where the investment ranges between Rs 50,000 to Rs 200,000, hypothecation of assets acquired from the loan granted by the bank forms the principal security. Any other security that the borrower may be in a position to offer is considered desirable, but not insisted upon. Banks' approach in the case of agro-service centres scheme is flexible and the requirements are suitably relaxed on merits in individual cases.

(ii) In pursuance of a suggestion made at the meeting of the Regional Consultative Committee for the Central Region held in June, 1972, the Reserve Bank of India had set up a study group to evolve simpler application forms for obtaining agricultural loans from commercial banks. The study group has recommended model forms, suitable for loans for various agricultural purposes, including short-term and medium-term credit. The report of the study group and the model forms have already been circulated for adoption by commercial banks and they are taking steps to make necessary changes in their forms.

(iii) With a view to reducing the cost of borrowing in respect of small and marginal farmers public sector banks now meet in full the liability involved in legal charges, which

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- ☐ Rapid branch expansion in rural and small centres.
- ☐ Steady growth in advances to priority sectors.
- ☐ Over 500% increase in small borrowal accounts.
- ☐ Major portion of farm credit to small farmers.
- ☐ Plough-back of rural deposits for rural uplift.
- ☐ Introduction of special schemes for self-employment.
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include those for scrutiny of title deeds and encumbrances thereon.

(iv) To avoid delays and facilitate quick decision-making, managers of rural branches have been given adequate discretionary powers to sanction agricultural loans to small farmers in their areas.

(v) Provisions of the Credit Guarantee Scheme have been liberalised to cover short-term credit up to Rs 2,500 and long-term credit up to Rs 10,000. Short-term credit converted into medium-term loans, on account of floods, droughts etc., is covered up to Rs 5,000. The liberalised Credit Guarantee Scheme covers all loans in the field of agriculture and allied activities up to the specified ceilings.

(vi) Most of the public sector banks have introduced schemes of graded rates of interest on the basis of the size of land holdings of the borrowers. While there are minor variations between the terms and conditions prescribed by different banks, basically the endeavour is to finance small farmers holding 2½ acres of irrigated land or five acres of unirrigated land at a concessional rate of interest.

(vii) Banks have been strengthening their field staff and, for this purpose, have recruited agricultural graduates and other extension staff with experience of rural development work.

The achievements of the public sector banks in the area of agriculture ever since nationalisation can be said to be commendable. The bankers' traditional attitude—static, negative, safety-conscious and urban-centred— is giving way to a new, dynamic, positive and rural-biased outlook with willingness to take calculated risks. The public sector banks have made a radical departure from the past and they have really proved in the case of agricultural financing that it is easy "to teach the old parrot a new cry". In the years to come, with the opening of more and more rural branches, agricultural finance will get a boost in the portfolio of public sector banks' advances which will undoubtedly result in creating more and more economic prosperity at the micro levels in the national economy. When this is done, one of the social objectives of nationalisation of helping agriculture by the public sector banks may be said to have been achieved in a big way.

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Mr Fakhruddin Ali

ned has duly got into the shtrapati Bhavan. That much-sed building may not be any the rse for it. Whether it will be all better for it is, however, doubtful. s is in spite of the fact that the new sident's wife is said to be, according a cub reporter of *The Hindustan Times*, proud possessor of a capacity to let a "throaty" laugh; incidentally, there no reason why sultry feminine pre-ces should be confined to the world the silver screen. It has been said t even among the prime minister's tymen, quite a few feel 'unhappy' that has chosen so deliberately a yes-man the president's job.

Mr Ahmed of course is right that our stitution does not contemplate any te of confrontation between president d prime minister. Nevertheless, the blic would certainly have felt reassured hey could have assumed that, in the sident's office, there sat a man who uld apply his mind to great issues of te whenever the need arose. They did t have this assurance, of course, when Giri was president but, in his case, re was at least this saving grace that was unpredictable. The problem with e new president is that he is only too edictable. Going by his past record, onsider it extremely unlikely that he uld take any positive interest in the airs of government except when his n wishes or purposes are somehow volved. For the rest he would probably more than content to let sleeping dogs .

Mr Giri left Rashtrapati

avan with something midway between a ng and whimper. For reasons best known himself he chose to give an interview the PTI during his last week in office. is would have been merely a harmless ercise in vanity had he confined his servations to non-controversial mat-rs. But he let himself be trapped by a ited question about his "intervention in e matter of the recent railway strike." opriety clearly demanded that he should ve firmly declined to reveal anything about such discussions as he might have had with the prime minister or the Railway minister or such advice as he might have given them. Unfortunately he permitted himself to disclose what he claimed to be the purport of the conversation he had had with the Railway minister on the 17th of this month.

The impression Mr Giri conveyed was that he urged the reinstatement of employees who might have participated in the strike but had not been accused of sabotage or violence and that the Railway minister had assured him that this would be done. Although Mr Giri did not say this in so many words, this obviously was the thrust of his remarks. In any case this is how the opposition parties have chosen to interpret what he said had passed between him and the Railway minister. Naturally they have not been slow to make political capital out of this situation and the result is that the outgoing president had caused avoidable embarrassment to the government by his unhelpful public reference to an obviously controversial issue. I wish Mr Giri had taken a leaf out of Mr Nixon's book where the "confidentiality of the talk with Mr L. N. Mishra was concerned.

Some time between the

end of the current session of parliament and the beginning of the next the prime minister will surely have to make changes in the council of ministers. Lately there has been steady progress in speculation about her possible intentions regarding the timing of the next general election to the Lok Sabha. A view has been gathering strength that she may not wait out the full term, but go to the electorate a few months earlier. It is also being suggested that she may be inclined to favour an election to the Gujarat assembly being held at the same time as the parliamentary election. This is taken by some people to be an argument for her advisers opting for the election to Lok Sabha being held sooner rather then later. An earlier date may also appeal to the prime minister and the government since this would enable her to hold out in Bihar until an election to the state assembly there could also be held simultaneously with a general election to the Lok Sabha. Quite a number of people believe, moreover, that since the economic situation is steadily deteriorating the prime minister may not feel that it would be to her advantage to defer the holding of a general election to the Lok Sabha to the last possible date. There is, again, the contention that the opposition parties are in such grievous disarray that any change in their situation could only be for the better from their point of view and that the prime minister should therefore be sorely tempted to exploit their hour of greatest weakness or vulnerability while it lasts. In any case, if the prime minister is in fact intending to hold a general election to the Lok Sabha earlier than it will fall due in the ordinary course, it is all the more the reason why she should give herself an improved cabinet if that were possible.

One reform which many

would like to see is the replacement of Mr Y. B. Chavan in the Finance ministry by some one who is better able to get a hang of the problems plaguing the nation's economy. Fortunately the prime minister could easily send him back to the Home ministry thereby ensuring that there is no question of "loss of face." There are reports that Mr Brahmananda Reddy is being thought of for the Industry portfolio and that Mr C. Subramaniam will be requested to agree to being whole-time minister for Food and Agriculture. There seems to be quite a lobby working for Mr T. A. Pai in his aspirations to become the Finance minister; hence perhaps the rumours one keeps hearing that he is both near and dear to the heart of the prime minister.

If, however, one could assume that Mrs Gandhi has some capacity for doing the unexpected in these matters, one might suggest that there is nothing inherently unlikely in her thinking of some one like, say, Mr L. K. Jha, for the Finance ministry. One has heard it suggested that although the cabinet secretary is having the responsibility of putting together the package of anti-inflationary measures, the prime minister has been regularly taking counsel with Mr Jha in this matter. In any case, the induction of men like Messrs Jha, Haksar and Ranganathan into the council of ministers could certainly give concrete and convincing expression to any claim that the prime minister may make that she is desirous of dealing pragmatically with the issues of economic stability and expansion. The government certainly needs infusion of a mixture of intellect and relevant expertise and experience.

VB

MOVING FINGER

TRADE WINDS

Inflation Fever

THE US TREASURY secretary, Mr William Simon, has thrown a bucketful of cold water on hopes that might have been entertained in various parts of the world that the new administration in Washington would soon come to grips with the domestic inflationary situation. Complaining that the "insane guns-and-butter policies" of the mid-1960s were the principal cause of runaway inflation, he told a senate subcommittee some days ago that "it is going to be a long time before we bring inflation down to an acceptable level" and went on to predict a high rate of inflation in the US economy for the next two to five years.

Meanwhile President Ford's declared intention of showing US fiscal policy in the direction of a balanced budget has not been altogether well-received in many south or southeast Asian countries where the first intimations of a global recession are being interpreted as distress signals. It is feared that if US aid were to be curtailed drastically and US governmental spending abroad pruned, many countries in the region might find it difficult to sustain their commerce-based or export-oriented activity.

Hong Kong and Singapore are no longer taking for granted the continuance of high rates of growth. On the contrary, the emerging bearish outlook for textiles, both cotton and manmade, in international trade is beginning to spread gloom. In addition, Hong Kong has had to deal with the additional problem of the Australian government's policy of curbing imports of textiles in an attempt to protect jobs in the high-cost domestic industry.

Simultaneously inflation is becoming a major problem even in countries such as Malaysia, which until recently could boast of a relatively stable level of prices. The Malaysian government, however, has been reasonably prompt in taking corrective measures, but the inflation threat still remains in view of the various liberal credit plans or government spending programmes designed to create jobs for the Malay (indigenous) majority in the population.

Across the seas, in Australia, the Labour government of Mr Whitlam has had to go back on quite a few of its cherished economic policies if not principles such as liberalization of imports or the curtailment of the inflow of foreign capital to deal with the problem of rising unemployment in the context of a rapid rise in the cost of living. Such are the pressures on the Australian economy that although the European Economic Community has placed restrictions on the import of Australian beef, while the US government is insisting on Australia curtailing voluntarily its exports of beef to that country and the Japanese demand for Australian beef is falling because consumption levels are being affected all round by rising prices, Canberra finds itself in the extremely odd situation of advising Australians themselves to eat less steak (which, though home-grown, is expensive) and more chicken or fish (relatively less costly) so that their family food budgets could obtain some relief from the prevailing all-round inflation.

Wilson On Warpath

In another part of the world, at least in one country, namely the United Kingdom, inflation seems to have taken at least temporarily a back seat in public discussions. This is because the Wilson government has come out with its long awaited paper on neighbours policy for the regulation of industry. This document entitled "The Regeneration of British Industry" proposes the creation of two new instruments of government intervention in the economy. The first would be a National Enterprise Board, with powers to start new ventures, extend public ownership in the profitable areas of manufacturing activity through acquisitions and act as a channel for government assistance to companies in short-term financial or managerial difficulties. Secondly, there is to be a system of planning agreements with major companies (so far unnamed) in key sectors of industry.

Although this system would be voluntary, the government would have reserve powers to require companies to provide information needed to formulate and monitor such agreements. Among the strategic issues which would be covered by these agreements would be investment, price policy, productivity, employment, exports and imports, saving, product development, the implications of company plans for industrial relations, negotiations and consultation and the interests of consumers and the community. The proposal relating to "planning agreements" indicates that the plans covered by such agreements would be drawn up in consultation with union representatives, thereby bringing in the principle of active workers' participation in a number of basic managerial functions.

The general reaction to the white paper has been that it is less radical than the Labour manifesto since the commitment to taking over 25 leadin companies has been dropped Instead, the Labour governmen is now pledged to take ove "a number" of manufacturin concerns, including profitabl ones, plus minority stakes i the others. It has also bee noted with some relief that th government intends that a acquisitions will as far as possi ble be on a voluntary basis Where this is impossible, par limentary approval, in mos cases a specific act of parlia ment, will be needed. Never theless, reactions of Tory poli ticians, business circles and corporate managements have naturally been sharply ad verse. Warnings have been uttered about the possible suffocation of private enterprise and, simultaneously, the anti-nationalization campaign, which is being conducted by industry for some time now, is becoming more aggressive and even vituperative; Aims of Industry, an organization which is spearheading this campaign, for instance, has characterized the white paper proposals as "dangerous and dishonest."

This white paper follows another white paper and a green paper published some time ago by the Wilson government. This earlier white paper presented a scheme for a gifts tax to be called "capital transfer tax," which is to be introduced in the autumn budget. The green paper presented a set of wealth tax proposals which are intended for discussion. The proposed capital transfer tax is intended to end the avoidance of estate duty, which in fact it will replace from a date to be fixed in the autumn finance bill. Until that date the tax will apply to life-time gifts made after March 26 and the estate duty law will continue during the interim period. The capital transfer tax is designed to ensure that all transfers of personal wealth — all gifts during a person's lifetime, or property passing on after a person's death and including gifts made in settlement — are taxed.

Progressive rates of tax will apply to the cumulative total

gifts made by a person dur- his lifetime and the pro- rty passed on at death. The will start on total sums of 5,000 — at a rate of 10 per nt rising to a maximum of per cent on sums over £2 llions. This compares with e present estate duty which rts at 25 per cent on sums of 5,000 and upwards, rising to maximum of 75 per cent on ms over £ 500,000. Exemp- ns are contemplated for the st £ 1,000 of gifts made by e donor in a year; gifts made t of incomes which form part normal expenditure and leave ough income to maintain e donor's usual standard living; wedding gifts up to 1,000 by each donor for any e marriage and if the donor a relative of either party the marriage, gifts up to ,500; and, an important con- ssion, gifts between husband d wife and property left by e to the other at death.

The green paper on the ealth tax proposals declares e objective of the government be a redistribution of wealth well as income and poses r widespread discussion the sues of the form and coverage the tax, the exemption limit d rates, the interaction of the x on other taxes and ques- ons such as the treatment of usbands and wives and of pital held in trust. It is pro- osed that a Commons select mmittee should examine ese and other issues as ell as the views expressed on em before the Commons as a hole gives final approval for e precise form of the tax. is hoped that legislation ould be introduced in the 1976 nance bill in which case the rst valuation date would be ecember 31, 1976 or March , 1977.

Two possible scales are quo- ed for the wealth tax. Under cheme A, the tax will start t £ 100,000 and will be levied t one per cent on the slab xtending up to £ 500,000. he rate will rise to 1½ per cent ver the range between 500,000 and £2 millions, to wo per cent over the range rom £2 millions to £5 millions and 2½ per cent for amounts over £ 5millions. Under scheme B amounts between £ 100,000 and £ 300,000 will attract a tax of one per cent, from £300,000 to £500,000 two per cent, from £ 500,000 to £2 millions three per cent, from £2 millions to £5 millions four per cent and over £ 5 millions five per cent. The enactment of the proposals in the two white papers or the green paper would of course depend on Labour's minority government successfully appealing to the electorate in a general election and securing an absolute majority of seats in a future parliament so that it could have enough votes to carry through the contemplated legislation. The Wilson administration's present indications, however, are to legislate for the capital transfer tax in the autumn presumably on the assumption that Labour will not either voluntarily choose or be compelled to face the electorate in the meanwhile. In any case the proposals for regulation of industry or egalitarian taxation now presented will go a long way towards defining some of the essentials of Labour's domestic economic platform or programme for the immediate future.

Guidelines for Big Borrowers

The Reserve Bank of India has told commercial banks that large credit limits by a bank to any single borrower in the private or public sector in excess of 1.5 per cent of its deposits should normally be extended on participation basis. In a letter to banks, the Reserve Bank has also indicated several guidelines for banks to deal with their large accounts in both sectors on a consortium or participation basis, and how to ensure better coordination and cooperation among themselves in respect of multiple banking. The Reserve Bank has pointed out that the limit of 1.5 per cent of deposits is in the nature of a guideline intended to be operated flexibly, and exceptions could be made in reasonable circumstances. Banks have also been asked to review in due course their existing advances in the light of this norm and enter into participation arrangements, where necessary. The guidelines are based on the recommendations of a study group on extension of credits limits on consortium participation basis set up by the bank in December 1973 and headed by Mr G. Lakshminarayanan, chairman of the Indian Bank, with its members drawn from other banks as well as major industrial units.

The guidelines favour the participation basis also for large loans for financing rural electrification schemes. Such participation could be among banks having adequate network of branches in the area of the project and in collaboration with the Rural Electrification Corporation (REC). The Reserve Bank has stressed the need to evolve a proper procedure for coordination among financing banks, in cases where the working capital requirements of a borrower are financed by a number of banks without consortium arrangement. Such a procedure should provide for (1) periodical exchange of essential information between the financing banks, (2) review of borrowers performance through periodical inter-institutional meetings, and (3) joint review of credit requirements of the borrower when the limits become due for renewal or when a substantial increase in the limits is sought, or the borrower's performance shows signs of deterioration.

Banks are required to streamline their procedures regarding appraisal, documentation and follow-up in the light of the study group's recommendation so that no difficulties are faced by borrowers in dealing with a number of banks. In case where a borrower is financed by banks on a consortium basis, the arrangement should normally take care of the entire financial requirement and other incidental business of the borrower, subject to the operational requirements of the business concerned. Where different banks are financing different units of the same company, one of which has become sick the bank's financing the healthy units should take into account the interests of other banks financing the company.

Requirements of Computers

An estimate of the requirements of computers by categories (large, medium, small including mini-computers) for use by varions sectors of the economy during the fifth five-year Plan in India was made by the Working Group on "Computers, Controls and Industrial Electronics of Task Force VII of the Planning Commission Steering Committee on Engineering Industries". A summary of the total requirements of computers of various categories is given in table below:

No detailed estimates had, however, been made for the sixth five-year Plan period. However assuming growth rates of 20, 19, 18, 17 and 16 per cent of computer requirements during the respective years of the sixth Plan, the total production in the field of computers and calculators was expected to rise by 2-1/2 times that of fifth Plan (to a total production estimated at Rs 445 crores during the period)

An estimate of the requirements of peripherals for the

Requirements of Computers during Fifth Five-year Plan

	1974-75	75-76	76-77	77-78	78-79
Large (more than Rs 50 lakhs)	3	3	3	3	3
Medium system (Rs 10 to 50 lakhs)	32	39	48	56	65
Small & mini computers (Lessthan Rs 10 lakhs)	60	120	160	230	290

medium and mini-computer programme was as follows:.

Teleprinters	1700
Paper tape readers	750
Line printer 300 CPM	450
Paper tape punch	750
Line printer 600 CPM	350
Card readers 300 CPM	270
Card readers 600 CPM	150
Low speed magnetic tape	1050
High speed	350
Disc drives	750

Supplementary Demands for Grants

Supplementary demands for grants presented to the Lok Sabha on August 23 revealed that the overall deficit of the union government would be Rs 267.70 crores—more than double of Rs 126 crores envisaged in the original annual budget presented in February last. This deficit is up to the end of July 1974 based on present price level and estimates of revenue.

The government has additional expenditure of Rs 352.70 crores, provision for additional dearness allowance to the employees at Rs 112 crores making a total of Rs 464.70 crores. Additional taxes in the supplementary budget for the remaining part of the current financial year was Rs 123 crores and saving of Rs 200 crores proposed during the year bringing down the gap to Rs 141.70 crores. This along with the over-all deficit of Rs 126 crores anticipated in the annual budget presented in February brings the total overall deficit to Rs 267.70 crores. The additional funds provided for payment of DA at Rs 112 crores has been made on the "basis of the current price levels."

The provision for additional DA is over and above the lump sum of Rs 120 crores earmarked in the February annual budget. The additional expenditure of Rs 352.70 crores—Rs 201.85 crores on revenue account and Rs 150.85 crores on capital account—is composed of (i) subsidy on foodgrains issued to maintain public distribution system (Rs 125 crores) (ii) additional requirement of the defence services owing to the improvements in the emoluments of the defence personnel (Rs 75 crores), and additional investments in the 'core' sector of the Plan. The 'core' sector investments will be paper (Rs 8 crores), power (Rs 7.90 crores), fertilizer (Rs 40.60 crores), petroleum (Rs 18 erores), ports and shipping (Rs 20.60 crores) and steel Rs 57 crores.

New Business by LIC

The total new business of the Life Insurance Corporation of India (LIC) in July this year amounted to Rs 154.70 crores, involving 129,794, policies. This included foreign business worth Rs 66 lakhs. During the month the southern zone of the corporation completed the highest amount of new business (Rs 44.25 crores) followed by the western zone (Rs 37.84 crores) and the northern zone (Rs 33.93 crores) The eastern and central zones did business amounting to Rs 19.68 crores and Rs 18.34 crores respectively. The total business completed by the corporation during the first four months of the current financial year amounted to Rs 388.37 crores compared with Rs 404.09 crores during the corresponding period of 1973-74.

Cut in Crude Imports

Crude imports will be cut by about one million tonnes this year view in of the enormous increase in the cost of crude and petroleum products, union minister of state for Petroleum and Chemicals, Mr Shah Nawaz Khan, told the Lok Sabha recently. He added that 13 million tonnes of crude was proposed to be imported at a cost of Rs 878 crores, as against 14.07 million tonnes in 1973-74. A product import alongwith some speciality products for refining chemicals at Rs 262 crores was also planned. The government had also taken measures to curb consumption of oil especially of motor spirit and fuel oils, besides imposing a 30 per cent cut in the consumption of kerosene at the same time. Mr Khan stated that steps to augment production of crude indigenously were also taken to progressively raise its output to 11.42 million tonnes by 1978-79.

Hindustan Steel Works

Hindustan Steel Works Construction Limited, a public sector undertaking, has secured new contracts amounting to Rs 63 crores during the year 1973-74. Mr M. S. Lal, chairman said that the company has recorded a turnover of Rs 47.57 crores and made a profit of Rs 93.89 lakhs before taxation. The company has declared a dividend of 12 per cent. Highlighting the construction projects with which the company was associated, Mr Lal pointed out that besides being involved in major construction and expansion of integrated steel plants at Bokaro, Bhilai, new steel projects at Salem, Visakhapatnam and Vijayanagar and works in Rourkela and Durgapur. HSWC is now engaged in the construction of large number of industrial projects, power plants, bridges dams, dry docks, and townships. The company has established over three dozen units all over the country.

New Unit for Heavy Vehicles

The union government has decided to set up a new unit for the manufacture of 40,000 commercial vehicles in the public sector. The new unit will be set up simultaneously with the expansion of the Jabalpur factory. This was indicated by the union minister for Heavy Industry, Mr T. A. Pai, in the Rajya Sabha recently in the course of his reply to to the discussion on car prices.

Coal Conversion Projects

The union government proposes to set up an experts committee to formulate and evaluate a scheme for the conversion of coal directly into liquid fuels, Mr K.D. Malviya, union minister for Steel and Mines, told Rajya Sabha, recently. He said the country could go in for obtaining liquid fuels directly from coal if suitable proven technology was available. Mr Malavia said that the process for conversion of coal into gas and tar had been perfected in the country and the first plant for this purpose would be set up at Raniganj coal field this year. He said the Steel and Mines ministry wanted to start the coal gasification scheme with one plant shortly and later to set up two or three more.

Mineral Output in May

The value of mineral production in India excluding the value of petroleum (crude), natural gas, atomic minerals and 'minor minerals' was Rs 44.7 crores in May, 1974 as against Rs 43.9 crores in the previous month, according to the Indian Bureau of Mines. Coal and lignite together accounted for Rs 35.7 crores or about 80 per cent of the value of mineral production followed by metallic minerals with Rs 5.4 crores (12 per cent) and non-metallic minerals Rs 3.6 crores (8 per cent) during May, 1974. The index of mineral production with base 1970=100 increased to 108 during May from 105 in April. Among mineral fuels, production of coal increased by six per eent to 6.9 million tonnes. As regards metallic minerals, production of chromite increased to 32,000 tonnes from 28,000 tonnes and silver production to 368 kilograms from 299 kilograms. The output of manganese ore remained at 114,000 tonnes. However, the output of iron ore at 2,846,000 tonnes in May indicated a fall of three per cent and copper ore at 89,000 tonnes, a fall of five per cent.

Among non-metallic minerals, production of mica (crude) increased to 1,186 tonnes from 1,152 tonnes; and diamond to 1,806 carats from 1,533 carats. Production of phosphrite at 36,700 tonnes recorded an increase of five per cent. However, the output of limestone decreased from 1,786,000 tonnes in April to 1,696,000 tonnes in May and dolomite from 98,000 tonnes to 90,000 tonnes.

Agreement with Burma

India and Burma have agreed to institute a Special

yments Arrangement in terms which the government of rma will be able to purchase ods worth Rs 750 lakhs from dia. The goods will include ton textiles, pharmaceuticals, ctrical goods and builder's rdware. The government of rma will in turn export to dia mutually agreed goods e urea, and mineral ores. tters to this effect were exanged recently between U. nit Moung, deputy minister r Planning and Finance, rma and Mr A. C. George, puty Commerce minister. The erational details of the arngements will be finalised ortly. Speaking on the ocsion, Mr A. C. George said at the present arrangements ould strengthen the ties between India and Burma and oped that both the countries ould continue increasing their utual trade and economic operation. In reply, the urmese deputy minister said at he had come to India ith the expectation that his sit would augment the trade elations between the two ountries and he was happy that is expectation was fulfilled.

Economy in the Use of Cement

In the context of acute and ontinuing shortage in the vailability of cement, the uestion of confining its use o essential sectors of economy as been under consideration f the government for some ime. In the light of continuing constraints on maximising roduction, it has been considered expedient to restrict the se of cement to more essential reas taking into account the se of alternative materials wherever technically and functionally possible. The government has accordingly decided hat the use of cement should e totally banned for a period f one year in the construction f the following buildings, oth in the publlc and private ectors, which had not been tarted or which had not proceeded beyond the plinth level: (i) Buildings intended to be used as an office, theatre or cinema house; (ii) Residential hotel, restaurant or eating house; (iii) Shop; (iv) Any road or pavement. An order banning the use of cement for the construction of these building under the Essential Commodities Act, 1955, has also been issued separately.

New Visual Aid at Airports

The International Airports Authority of India has decided to provide three bar Visual Approach Slope Indicator (VASI) on either end of the main runways at Delhi, Calcutta, Bombay and Madras to facilitate the landing of wide-bodied aircraft. At ILS ends, new three bar VASI will be installed. On the non-ILS ends, the existing two bars will be converted to three bars. A total expenditure of Rs 25 lakhs will be incurred during the year. The three bar VASI will provide visual approach slope guidance to enable the pilots of wide-bodied aircraft like Jumbo to maintain the desired approach slope with a high degree of accuracy.

1,400 organisations in the public and private sectors have joined the progressive club.

by using Group Insurance
to set new norms in social securities
for employees.

A new norm in employee benefits.

19,00,000 low-income employees now have the life-saving security of life insurance. Either by a *token* contribution or sometimes even without it.

A new norm in Industrial Co-operation.

Employees' organisations have also joined together to get the benefit of Group Insurance under an LIC master policy. Employees and employers all over the country are getting together and helping to extend social security to the needier sections of society.

The members of this enlightened group are drawn from a vast spectrum of organisations. From the U. P. primary & secondary school teacher organisations and police force, to state road transport corporations, to electricity boards. Add to this a vast array of industrial corporations which vary from electronics to tourism, from warehousing to antibiotics, from banking to petrochemicals, from textiles to tractors. It's a club *you* could join with profit.

योगक्षेमं वहाम्यहम्

Life Insurance Corporation of India

ANNOUNCEMENT REGARDING OFFER FOR THE SALE OF 10,00,000 ORDINARY SHARES OF RS. 10/- EACH (fully paid-up) AT PAR

Persons interested in full details may obtain copies of the Offer for Sale and application forms from brokers and bankers mentioned below

THE APPLICATION LIST WILL OPEN AT COMMENCEMENT OF BANKING HOURS ON WEDNESDAY, 4TH SEPTEMBER, 1974 AND CLOSE AT THE CLOSE OF BANKING HOURS ON SATURDAY, 21ST SEPTEMBER, 1974 OR EARLIER AT THE DISCRETION OF THE OFFERERS, BUT NOT BEFORE THE CLOSE OF BANKING HOURS ON FRIDAY 6TH SEPTEMBER,1974.

I.T.C. LIMITED

(INCORPORATED IN INDIA WITH LIMITED LIABILITY ON 24TH AUGUST, 1910 UNDER THE INDIAN COMPANIES ACT, 1882)
Registered Office : Virginia House, 37 Chowringhee, Calcutta-700016.

EXISTING AND PROPOSED ACTIVITIES

The Company was incorporated in India on 24th August, 1910 under the name of The Imperial Tobacco Company of India Limited and has since been carrying on business. The Company was converted into a Public Limited Company in 1954. In the same year the Company shares were listed on the Calcutta Stock Exchange and 10,00,000 Ordinary Shares were acquired by the Indian public. In January, 1970 a further issue of 37,90,000 Ordinary Shares was made bringing Indian public participation to about 25% of the equity capital of the Company.

The Company changed its name in May, 1970 to India Tobacco Company Limited and again in March, 1974 to I.T.C. Limited.

The main business of the Company is the manufacture and sale of cigarettes and smoking tobaccos. The Company is also engaged in the manufacture and sale of printed and packaging materials.

The Company has recently diversified its activities into Marine Products and Hotels. These activities will assist the twin Government objectives of earning foreign exchange and generating additional employment.

The Marine Products Division has had remarkable success in the development of an export market. Exports rose from Rs. 70 lakhs in 1971/72 to Rs. 4.30 crores in 1973/74. The Company has obtained all the necessary Government clearances for the establishment of hotels at AGRA, MADRAS and DELHI. The hotel at Madras is nearing completion under the name and style of "HOTEL CHOLA".

The Company has also entered the field of General Exports and has had considerable success in the export of a wide variety of goods such as paper/board products, myrobalan, leather goods, bicycles and bicycle parts, garments as also cigarettes and manufactured and blended cut tobaccos. The Company is recognised as an eligible Export House.

FUTURE PROSPECTS

The Company has paid an interim dividend of 7% (subject to tax) on Ordinary Shares for the year ended 31st March, 1974. The Directors of the Company had recommended a final dividend of 8% (subject to tax) making a total dividend for the year ended 31st March, 1974 of 15%. In view, however, of the Companies (Temporary Restrictions on Dividends) Ordinance 1974, and the Companies (Temporary Restrictions on Dividends) Amendment Ordinance 1974, the recommendation in respect of a final dividend was withdrawn. The Directors of the Company consider that in the absence of unforeseeable circumstances the turnover and profit of the Company should increase in future years.

SHARE CAPITAL

A. Authorised	
2,50,00,000 Ordinary Shares of Rs. 10/- each	Rs. 25,00,00,000
B. Issued, subscribed and fully paid up	
1,89,50,000 Ordinary Shares of Rs. 10/- each for cash	Rs. 18,95,00,000
C. Present Offer	
28,04,775 Ordinary Shares of Rs. 10/- each (fully paid up)	Rs. 2,80,47,750
D. Out of the Present Offer	
i) 10,08,904 Ordinary Shares of Rs. 10/- each (fully paid up) have been reserved for offer to the employees, Directors, associates and the Life Insurance Corporation of India and the Unit Trust of India.	Rs. 1,00,89,040
ii) 7,95,871 Ordinary Shares of Rs. 10/- each (fully paid up) have been reserved for offer to the shareholders of the Company whose names appeared on the Company's Register of Members at the close of business on 1st August, 1974 in the proportion of one Ordinary Share for every six Ordinary Shares held on that date.	Rs. 79,58,710
E. Now offered for sale for cash and at par to the Indian public 10,00,000 Ordinary Shares of Rs. 10/- each (fully paid up)	**Rs. 1,00,00,000**

TERMS OF THE OFFER

The entire amount of Rs. 10/- per share is payable on application.

OBJECTS OF THE OFFER FOR SALE

With a view to increasing Indian participation in the share capital of I.T.C. Limited from 25% to 40% three overseas shareholders of the Company i.e. Tobacco Manufacturers (India) Ltd., 7, Millbank

London, S.W. 1, U.K., Tobacco Investments Ltd., 2, Dean Stanley Street, London, S.W. 1, U.K. and Rothmans International Ltd., Christopher Martin Road, Basildon, Essex, U.K., are disinvesting a part of their respective holdings in the capital of I.T.C. Limited aggregating to 28,04,775 Ordinary Shares of Rs. 10/- each (fully paid up) to the Indian public and others in the manner and to the extent herein mentioned. They have irrevocably constituted and appointed Mr. Ajit Narain Haksar, Mr. Santanu Ray, Mr. Sorab Barior Aibara and Mr. Ronald Carleton Burns, all of 37 Chowringhee, Calcutta-700016 (any two of them jointly or any one of them severally) as their Attorneys for the sale thereof.

On the successful completion of this Offer for Sale I.T.C. Limited will cease to be a Subsidiary Company of Tobacco Manufacturers (India) Ltd., U.K.

BOARD OF DIRECTORS

1. **Ajit Narain Haksar** (Chairman)
   (Son of late Iqbal Narain Haksar)
   24B, Raja Santosh Road, Alipore, Calcutta-700027.
   Company Executive
   OTHER DIRECTORSHIPS
   Governor of Administrative Staff College of India.
   Non-executive Chairman of Indian Society of Advertisers Limited.
   Governor of Indian Institute of Management, Calcutta.
   Director of Industrial Development Bank of India and Reserve Bank of India.
   Chairman of the Board of Governors of Indian Institute of Technology, Kharagpur.
   Non-executive Chairman of Webstar Limited.
2. **Santanu Ray** (Vice Chairman)
   (Son of late Sudhir Chandra Ray)
   9, Fountain Court, 7/1, Little Russell Street, Calcutta-700016.
   Company Executive
   OTHER DIRECTORSHIPS
   Non-executive Chairman of Mining & Allied Machinery Corporation Limited.
   Member of Executive Committee of Indian Institute of Foreign Trade.
   Member of Executive Committee of Federation of Indian Exports Organisation.
3. **Sorab Barjor Aibara** (Deputy Chairman)
   (Son of Barjor Behramsha Aibara)
   10, Ballygunge Park Road, Calcutta-700019.
   Company Executive
   OTHER DIRECTORSHIPS
   Member, Eastern Regional Committee, Employer's Federation of India.
   Vice-President, Calcutta Management Association.
   Council Member, All India Management Association.
   Member of Executive Committee of the Calcutta Youth Self-Employment Centre.
4. **Subhendu Kumar Banerjee**(Director & Secretary)
   (Son of Pramatha Nath Banerjee)
   32F, New Road, Alipore, Calcutta-700027.
   Company Executive
   OTHER DIRECTORSHIPS
   Member, Executive Committee of the Trade Mark Owners Association of India.
5. **Abhijit Basu**(Director) (Son of late Sukumar Basu)
   68, Block D, New Alipore, Calcutta-700053.
   Company Executive
   OTHER DIRECTORSHIPS (Nil)
6. **Ronald Carleton Burns**(Director)
   (Son of late Robert Burns)
   7, Woodlands Estate, Alipore, Calcutta-700027.
   Company Executive
   OTHER DIRECTORSHIPS
   Governor of The East India Clinic Limited.
7. **Samir Ghosh**(Director) (Son of late Sukumar Ghosh)
   7, Fountain Court, 7/1, Little Russell Street, Calcutta-700016.
   Company Executive
   OTHER DIRECTORSHIPS (Nil)
8. **Raj Monani**(Director) (Son of M. G. Monani)
   8/1, Alipore Park Road, Calcutta-700027.
   Company Executive
   OTHER DIRECTORSHIPS (Nil)
9. **Pangulury Balarama Krishna Murty**(Director)
   (Son of Pangulury Sesha Thalpa Sayee)
   13, Ballygunge Park Road, Calcutta-700019.
   Company Executive
   OTHER DIRECTORSHIPS
   Director of Mysore Tobacco Company Limited.
10. **Jagdish Narain Sapru**(Director)
    (Son of late Trijugi Narain Sapru)
    9A, Belvedere Court, Calcutta-700027.
    Company Executive
    OTHER DIRECTORSHIPS (Nil)
11. **David John Weaver**(Director)
    (Son of late John Yardley Weaver)
    10, Fountain Court, 7/1, Little Russell Street, Calcutta-700016.
    Company Executive
    OTHER DIRECTORSHIPS
    Director of Molins of India Limited.
    Chairman, East India Charitable Trust.

AUDITORS

Lovelock & Lewes, 4, Lyons Range, Calcutta-700001.

SOLICITORS TO THE OFFER

Orr, Dignam & Co.,
29, Netaji Subhas Road, Calcutta-700001.

REGISTRARS

Jardine Henderson, Limited,
4, Clive Row, Calcutta-700001.

MANAGERS TO THE OFFER

State Bank of India, Merchant Banking Division,
Madam Cama Road, Post Box 12, Bombay-400001.

BANKERS TO THE OFFER

State Bank of India, 1, Strand Road, Calcutta-700001 or their main offices at BOMBAY, MADRAS, NEW DELHI, AHMEDABAD, COIMBATORE, BANGALORE, CHANDIGARH, BARODA, HYDERABAD, INDORE, JAMSHEDPUR, LUCKNOW, PATNA, POONA.

National & Grindlays Bank Limited,
41, Chowringhee, Calcutta-700016 or their main offices at CALCUTTA, BOMBAY, MADRAS, NEW DELHI, AMRITSAR, BANGALORE, COCHIN, DELHI, GAUHATI, HYDERABAD, KANPUR, TUTICORIN.

BROKERS TO THE OFFER

Calcutta Brijnath Khandelwal & Co., Chunilal T. Mehta, G. M. Pyne, M. M. Murarka & Co., N. L. Roy & Co., Place, Siddons & Gough (Pvt.) Ltd., Stewart & Co. **Bombay** Batlivala & Karani, Bhupendra Ohampaklal Devidas, D. S. Purbhoodas & Co., Dalal and Sons, Dhirajlal Maganlal Purshotamdas, Harkisondas Lukhmidass, Jamnadas Morarjee & Co., L. K. Pandey, Lewis & Jones, Merwanjee Bomanjee Dalal, Porecha Brothers, Prabhudas Lilladhar, Valji Bhimji. **Madras** Chitra & Co., Maconochie & Co., Paterson & Co. **New Delhi** Amritlal Bajaj & Co., Beharilal & Co., Bharat Bhushan & Co., H. P. Mehta & Co., Harbans Singh Mehta & Co., Raja Ram Bhasin & Co., Vinodkumar & Co. **Bangalore** M. Nanjappaiah Jahgirdar, Vijai & Co. **Hyderabad** P. B. Afzalpurkar. **Ahmedabad** Champaklal B. Choksey, Chinubhai Chimanlal Dalal, Laxminarayan N. Gupta & Co. **Indore** Pushkarlal Ghudawala.

HOW TO APPLY

(A) OBTAIN COPIES OF OFFER FOR SALE AND APPLICATION FORMS from any of the Brokers and Bankers mentioned above.

(B) COMPLETE AND SIGN APPLICATION FORM (applications must be for 50 shares or multiples of 50). Deliver applications together with cash or cheque to any branch of the banks mentioned above. Cheques and Drafts should be drawn on banks situated in the town where the application is submitted.

OPENING & CLOSING DATES

Opening Date : Wednesday, 4th September, 1974.
Closing Date : Saturday, 21st September, 1974 or earlier but not earlier than Friday, 6th September, 1974.

The Ordinary Shares of the Company of which the shares offered for sale form a part are listed on the Calcutta and Bombay Stock Exchange.

Managers to the Offer
STATE BANK OF INDIA
Merchant Banking Division

THE INDIAN RAYON CORPORATION LTD.

INDUSTRY HOUSE
159 CHURCHGATE RECLAMATION
BOMBAY-400 020

Manufacturers of :

Quality Viscose Rayon Yarns
Bright and Coloured.

COMPANY AFFAIRS

ears Have It

LTHOUGH FREE trading was sumed since last Tuesday, a ubdued start marked the trad- g on the Bombay Stock Ex- hange last week. The passing f the Companies (Temporary estrictions on Dividends) Bill y the Lok Sabha had a de- ressing effect on the sentiment f the market as it did not ncorporate any concessions hatsoever. Fond hopes enter- ined by the stock exchange aternity that the government ight consider reliefs while re- lacing the ordinance by nor- al legislation, have thus been elied. With the prospects of ppreciation dimmed thus by ividend curbs, the yield from quities will continue to be oor some time to come.

The Finance minister Mr .B. Chavan, while moving the ill stoutly defended the go- ernment's step restricting divi- ends on the ground that this ould curb current consump- ion out of profits, reduce re- iance of the corporate sector n bank credit and thereby ontrol the expansionary im- act of money supply. The oney so saved by the com- anies, he argued, should be vailable to them for productive ses in financing the capital ost of expansion, diversifica- ion, replacement and rehabili- ation. According to Mr havan there was no real cause or worry for genuine inves- ors in corporate scrips as, in he long run, this measure hould help the companies to mprove their viability. He rther claimed that the mea- ure would not have an ad- erse impact on the pace of apital formation as investors new issues could not nor- ally, expect to receive divi- ends in the first two years. He timated the prospective "sav- gs" available from limiting the distribution on dividends at Rs 60 to Rs 70 crores per annum.

The stiff hikes in fares and freights proposed in the Rail- way Supplementary Budget too had an unsettling effect on the market sentiment. Al- though it was expected that fares and freight rates would go up, it was not anticipated that such a massive effort would be made to mobilise additional resources through steep up- ward adjustments in freight rates across the board. In- dustries are already in a bad shape due to several const- raints and it is feared, that the increased cost of rail transport would aggravate further the al- ready high inflationary situa- tion and even worsen the near- stagnant condition prevailing in the economy.

Dull and Featureless Trading

Equities in the Bombay Stock Exchange recorded substan- tial losses last week — the first week the market started ope- rating without any price rest- rictions. The fall in share va- lues was largely due to disin- vestment in the absence of follow-up support. Although there was a feeble recovery to- wards the close, equities lost considerable ground over the week. Century declined from Rs 498.50 to Rs 479 and Stan- dard from Rs 509 to Rs 479. Gujarat Fertilizer shed Rs 18 at Rs 477 and NOCIL Rs 17 at Rs 310.

Trading on Lyons Range was listless, thanks to lack of fol- low-up support or tired pull liquidation. Occasional attem- pts to stage a rally proved short lived. Indian Iron moved both ways on alternate bouts of buying and selling. Among en- gineering shares Jay Engineer- ing rallied mildly but Bihar Alloy, Indian Standard Wagon and Usha Alloy lost on short- selling.

The turnover was moderate on Madras Stock Exchange and prices turned easier due to more selling and lack of sup- port. As a quite a number of leading scrips lost result ground, some of them heavily. For ins- tance South India Viscose lost as mcuh as 118 points to Rs 270.01. Lakshmi Mills, among textiles, was marked down by 15 points at Rs 92 ex-divi- dend.

Hindustan Brown Boveri

Hindustan Brown Boveri has proposed a final dividend of three per cent, making a total of nine per cent for the year ended April 30, 1974 as against 12 per cent in 1972-73. With an expansion in sales from Rs 13 08 crores, gross profit advanced from Rs 1.71 crores to Rs 2.23 crores. Ration- alisation and better utilisation of capacities by and large ac- counted for the encourging per- formance during the year. Out of the gross profit the directors have allocated a sum of Rs 20.07 lakhs to deprectation, Rs 125.70 lakhs to taxation. and Rs 1.05 lakhs to development rebate reserve as against Rs 23.63 lakhs, Rs 95 lakhs, Rs 1.70 lakhs provided respectively in 1972-73. The equity divi- dend would absorb about Rs 21.60 lakhs including Rs 14.40 lakhs by way of interium as against Rs 28.80 lakhs in the preceding year.

Indian Dyestuff

Indian Dyestuff Industries has received an industrial licence for manufacturing 500 tonnes of pigments mainly to cater to the export markets. It has also received a letter of intent for expanding the capacity o vat dyestuffs from 625 tonne to 825 tonnes mainly for ex- ports. It has also sought gov- ernment's permission to manu- facture some of the raw mate- rials which are being imported at present. In view of the large capital outlay on expan- sion and diversification schemes the company has plans to raise fresh capital. The company, it is reported, will issue first rights shares and later bonus shares. The company conti- nued to maintain its progress, its turnover in the four months of the current year (April-July) being substantialy higher at Rs 7.20 crores as compared to Rs 5.20 crores in the similar pe- riod of last year. The profita- bility, however, has not risen commensurably in view of the shortage and the rise in prices of raw materials compeld with consumer resistance. For the year as a whole the turnover is expected to rise by 50 per cent over that of 1973-74.

Tak Machinery

The construction of the new factory of Tak Machinery at vatwa, is proceeding apace and trial production is scheduled to start by the end of this year. The impact of the new unit on the working results of the com- pany would be fully reflected in 1975-76 when the total turnover is expected to exceed Rs 2 cro- res. The management is al- ways on the look out for new and profitable items and it has already applied for permission to manufacture new products. Meanwhile the company has re- ported further progress during the current year with sales in the four months (April-July) of 1974 being higher at Rs 45 lakhs as compared to about Rs 34 lakhs in the correspond- ing period of last year. The turnover of 1974-75 is expected to rise by 25 to 30 per cent over the last year's figure of Rs 1.22 crores. Taking the orders on hand and other factors in to account the company's profi- tability is likely to show an improvement.

Sankey Wheels

During 1973 the turnover of Sankey Wheels Ltd increa-

sed only marginally as compared with 1972, but with a better product mix, substantial saving in finance, improved operating efficiency and effective planning and control, the company was able to achieve a profit of Rs 15.76 lakhs in 1973 as compared with a loss of Rs 16 lakhs in 1972—a turn around of nearly Rs 32 lakhs. But in respect of labour relation, 1973 was not an easy one for the company. Production was affected for the most part of the year by almost continuous labour unrest arising from inter union rivarly and resistance to the introduction of measurers to improve productivity. Although a tripartite agreement was entered into with both the unions for introduction of a new incentive scheme in November, 1973, individuals as well as group of workmen belonging to certain vital production lines were frequently trying to sabotage the operation of this scheme right from its implementation. The situation started deteriorating to such an extent that the management was compelled to declare a lockout with effect from April 15, 1974. However a tripartite agreement was signed on June 12, 1974 and the lockout was lifted with effect from June 14. Under the terms of this agreement the workmen are required to acheive a reasonable and defined level of productivity making it possible for the company to record a growth in production and sales.

Camphor & Allied Products Ltd

Camphor & Allied Products Ltd proposes to raise Rs 50 lakhs in 5,000 unsecured convertible bonds of Rs 1000 each, carrying interests at the rate of 10 per cent per annum. The funds are being raised to finance the company's various expansion schemes estimated to cost Rs 146.30 lakhs. The issue will be made some time in October. The bond will be redeemable at par on the expiry of 12 years from the date of allotment with the liberty to the company to redeem it after the expiry of 10 years. The holder of the bond will have the right to convert his bond into equity shares at the end of five years and if the right of conversion is exercised, the bondholder will be entitled for each bond held by him to three equity shares of Rs 100 each at the issue price of Rs 250 i.e. at the premium of Rs 150 per share and Rs 250 will be refunded to him in cash. Further, if at any time before the end of five years of the date of allotment of such bonds, the company issues one bonus share for every three shares, in that case, the bondholder will be entitled to four equity shares of Rs 100 each at a premium of Rs 87.50 each and a cash refund of Rs 250. Thus the novel features of the bond are attractive interest rate of 10 per cent and participation in the bonus issue.

The company has formulated plans to manufacture 60 tonnes Paramethane Hydroperoxide (PMHP), 500 tonnes C.P. Resins, 550 tonnes Sodium Acetate and 185 tonnes of Beta Pinene per annum. The implementation of the expansion scheme has already commenced and sizable work has already been completed. The equipment required for the manufacture of C.P. Resins, change over in the process of manuf ture of camphor and instal tion of new distillation colun for the separation of Beta nene, have already been insta led and the trial runs have co menced. The company h already marketed C.P. Resi while Beta Pinene is expecte to be put in the market duri next month. So far as man facture of PMHP and Sodiu Acetate is concerned, compar expects to go into the comme cial production by the end the second quarter of 197 The turnover of the compar in 1974 would be around R 4.50 crores as compared to R

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lementation of expansion sales would exceed Rs 6 es.

rangadhra chemical

Severe power cuts have ersely affected the working Dhrangadhra Chemical rks Ltd during the year led March 31, 1974. Pro- ction of caustic soda during year dropped to 37,664 nes from 39,982 tonnes in previous year, the decline ng of the order of 5.8 per t. The cut in power sup- was mainly responsible the fall in output. Produc- n of upgraded ilmenite too eded from 14,620 tonnes 12,335 tonnes. The fall in oduction was due to lesser pply of hydrochloric acid to plant consequent on lower oduction of caustic soda. e output of chlorosolvents o was lower at 1455 tonnes compared to 1979 tonnes 1972-73. The lesser output s due to restricted availa- lity of calcium carbide and so due to power cut. Pro- uction of liquide chlorine as down by 2259 tonnes to 0,350 tonnes due to lesser roductin of caustic soda. The utput of soda ash, however, oked up from 54,572 tonnes 55,697 tonnes. Production f soda bicarb too registered a arginal increase as compared o the previsious year. The overnment has approved the xpansion of the soda ash lant to 65,000 tonnes per nnum. A letter of intent has lso been received by company or stepping up the capacity f soda bicarb plant to 7200 onnes per annum, on condition hat the increased production hould be of I.P. quality. Because of atmospheric condi- ions at Dhrangadhra the com- pany has requested the govern- ment for agreeing to the ex- pansion of soda bicarb of commercial quality. The government's approval is awaited. Due to loss in pro- duction on account of cuts in power supply, sales of its pro- ducts overseas amounted to only Rs 55 lakhs as compared to Rs 120 lakhs in 1972-73. During the year the Chemicals and Allied Products Export Promotion Council and the Indian Chemical Manufacturers Association, Calcutta, have given to the company special awards for outstanding export performance.

Although the company's sales were a shade lower at Rs 11.48 crores as against Rs 11.78 crores in 1972-73, gross profit was higher by Rs 14.40 lakhs at Rs 207.81 lakhs. Out of the gross profit the directors have appropriated a sum of Rs 63.22 lakhs to depreciation reverve, Rs 7.07 lakhs to statutory development rebate reserve and Rs 81.65 lakhs for meeting tax liabilities as against Rs 65.12 lakhs, Rs 6.99 lakhs and Rs 78.25 lakhs provided respectively in 1972-73.

The net profit after these allocations amounted to Rs 55.87 lakhs as compared to Rs 43.05 lakhs in the preceding year. In view of the ordinance the directors are unable to declare not more than six per cent on equity shares, including five per cent already paid as interim dividend, for 1973-74. This is the maximum dividend that can be paid under the ordinance.

News and Notes

Indian Organic chemicals has obtained an industrial licence for setting up a distilery with a capacity of 80 lakh litres of alcohol per annum in Maharashtra. The expansion of Benzyl products plant is likely to be completed this year. The production of all chemicals except Plasticizers has been quite satisfactory in 1973-74. Exports of chemicals amounted to Rs 37 lakhs. The total production of polyester fibre at Manali was only 2423 tonnes as against the licensed capacity of 6100 tonnes per annum due to shortage of DMT and also due to restrictions in power supplies. The company has since acquired a large generator to augment the power supply.

The latest addition to the range of cutting machines from *Indian Oxygen Limited* is a portable gas cutting machine with solid state control and printed circuit. This is a unique feature introduced for the first time in a gas cutting machine in this country and another example of IOL's continuing advance on the technological front.

New issues

ITC Ltd is offering for sale for cash at per 1,000,000 equity shares of Rs 10 each. The subscription list opens on September 4 and will close on September 21 or earlier but not before September 6. The subscription is open only to Indian nationals who are resident in India and applications must be for minimum of 50 shares or multiples thereof. The entire amount of Rs 10 per share is payable on application. The shares now being offered will confer the right to any dividend declared in respect of the company's financial year ending March 31, 1975.

The object of the issue is to increase Indian participation in the company's share capital, to 40 per cent. Consequently the Tobacco Manufacturers (India) Ltd, UK, Tobacco Investments Ltd, UK, and Rothmans International Ltd, UK, have agreed to sell a part of their present holdings in the capital of the company aggregating to 28,04,775 equity shares of Rs 10 each to the Indian public. Out of this 18,04,775 equity shares are being reserved for the existing shareholders, directors, employees and financial institutions. The remaining equity shares worth Rs one crore are now being offered to the public for subscription. Following the successful completion of this offer for sale, ITC Ltd,

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EASTERN ECONOMIST, for the benefit of its readers, both at home and abroad, has made arrangements with University Microfilms of Ann Arbor, Michigan, USA, for the latter undertaking the reproduction of *Eastern Economist* on microfilm and through xerographic copies.

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will cease to be a subsidiary company of Tobacco Manufactures (India) Ltd, UK.

ITC was incorporated in 1910 under the name of The Imperial Tobacco Company of India Ltd. The company changed its name in 1970 to India Tobacco Company Ltd and following the diversification of its activities from the field of tobacco and tobacco products, to ITC Ltd in 1974. The company's main business is the manufacture and sale of cigarettes and smoking tobaccos. It is also engaged in the manufacture of and sale of printed and packaging materials. ITC has recently diversified its activities into the fields of general exports and has already made significant strides in the export of wide range of products. It has also entered the business of marine products the exports in 1973-74 being of the order of Rs 4.30 crores. It has also obtained clearances from the government for setting up a chain of hotels at Agra, Madras and Delhi. The Hotel Chola at Madras is in an advanced stage of completion. The company has also recently established an integrated research centre at Bangalore. Besides the company has won many awards for the excellence of its products, its export performance and industrial relations. Its sales have risen spectacularly to Rs 264 crores in 1973-74 as against only Rs 145 crores during the year ended March 31, 1970 while its profit after tax too rose appreciably during the same period from Rs 356 lakhs to Rs 446 lakhs.

Southern Borax will be entering the capital market some time in October with a public issue of 1,96,000 equity shares of Rs 10 each at par. Arrangements are being made to get the entire public issue underwritten. The proceeds of the issue will be utilised for financing partly the company's Rs 94-lakh project being set up at Thatchur in Chingelput district, Tamil Nadu, for the manufacture of 15,000 tonnes per annum of borax and 3,000 tonnes per annum of boric acid. The plant is expected to start production by April 1975. Since there is at present a wide gap between the demand and supply of this chemical, which is consumed by various industries including glass, ceramic, leather, pharmaceuticals, textiles, paper, metallurgical and fertilisers, the company does not anticipate any difficulty in selling its entire production. The capital outlay of Rs 94 lakhs is proposed to be met by share capital of Rs 40 lakhs, term loan from TIIC of Rs 30 lakhs and term loans from banks of Rs 24 lakhs.

Capital and Bouns Issues

Consent has been accorded to seven companies to raise capital amounting to over Rs 3.43 crores. Following are the details:

New Oriental Silk Mills Pvt Ltd; Bombay has been accorded consent, valid for three months, for the issue of bonus shares worth Rs 4.5 lakhs.

Saurashtra Steel Industries Ltd., propose to issue capital of 40,00,000 (inclusive of capital already subscribed) divided into 4,00,000 equity shares of Rs 10 each for cash at par out of which shares worth Rs 24 lakhs will be offered for public subscription.

Apollo Tyres Ltd, New Delhi, having a paid-up equity capital of Rs 3,30,770 have been given consent valid for a period of 12 months, for issue of equity shares worth Rs 50 lakhs by private placement.

Anna Engineering Corporation Ltd, Salem, having a paid-up equity capital of Rs 20 lakhs, have been given consent valid for a period of 12 months, for issue of convertible debentures worth Rs 9,60,000 to be issued to the employees of the Corporation.

Tamilnadu Industrial Development Corporation Ltd Madras, having a paid-up capital of Rs 1116.74 lakhs, have been granted consent, valid for 12 months, for the issue of Rs 100 lakhs (with permission to retain additional subscription to the extent of 10 per cent of the notified amount of Rs 100 lakhs) in debentures of Rs 1000 each or multiples thereof carrying interest at the rate of 6.25 per cent per annum for cash to the public at an issue price of Rs 99.75 per cent.

Bihar Hotels Ltd, Arrah, Bihar, have communicated to the government their proposal to issue capital to the value of equity shares worth Rs 40 lakhs and cumulative redeemable preference shares worth Rs 3 lakhs.

Rajasthan State Industri And Mineral Development Corporation Ltd, Jaipnr, has bee accorded consent, valid for months, for the issue of capit of Rs 100 lakhs (in additio to retain additional 10 pe cent of the notified amoun (in the event of over subscrip tion) in the form of 1,00,00 debenture bonds of 6-1/4 pe cent per annum and redeem able after 12 years, to the pub lic for cash at the issue pric of Rs 99.75 per cent.

Dividends

Revised Dividends

(per cent

Name of the company	Year ended	Equity dividend declared	
		Before ordinance	After ordinance
General Paper	March 31, 1974	10.0	6.0
Peninsular Plantations	Feb. 28, 1974	8.0	Nil
Sutlej Cotton	March 31, 1974	12.0	11.0

Dividend Announcement

(per cent

Name of the company.	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Chembra Peak Estates	March 31, 1974	12.0	10.0
Sarvaraya Textiles	March 31, 1974	12.0	8.0
Same Dividend			
Chettinad Cement	March 31, 1974	Nil	Nil
Vijay Spinning Mills Ltd	March 31, 1974	12.0*	12.0
Kerala Rubber	March 31, 1974	Nil	Nil
South India Wire Ropes	March 31, 1974	Nil	Nil
Sulekha Works	Dec. 31, 1973	7.0	7.0
Reduced Dividend			
United Nilgiri Tea Estates	March 31, 1974	10.0	17.5
T. Stanes	March 31, 1974	12.0	15.0
Central Scientific Supplies Co.	March 31, 1974	4.0	15.0
Southern Asbestos Cements	March 31, 1974	7.5†	12.0
South Madras Electric Supply Corporation	March 31, 1974	12.0	18.0
Coorg Tea	March 31, 1974	2.0	12.0
Mettur Beardsell	March 31, 1974	12.0	25.0
Mysore Tobacco	March 31, 1974	Nil	10.0

* Fifteen months ended March 31, 1974.
† On enlarged capital.

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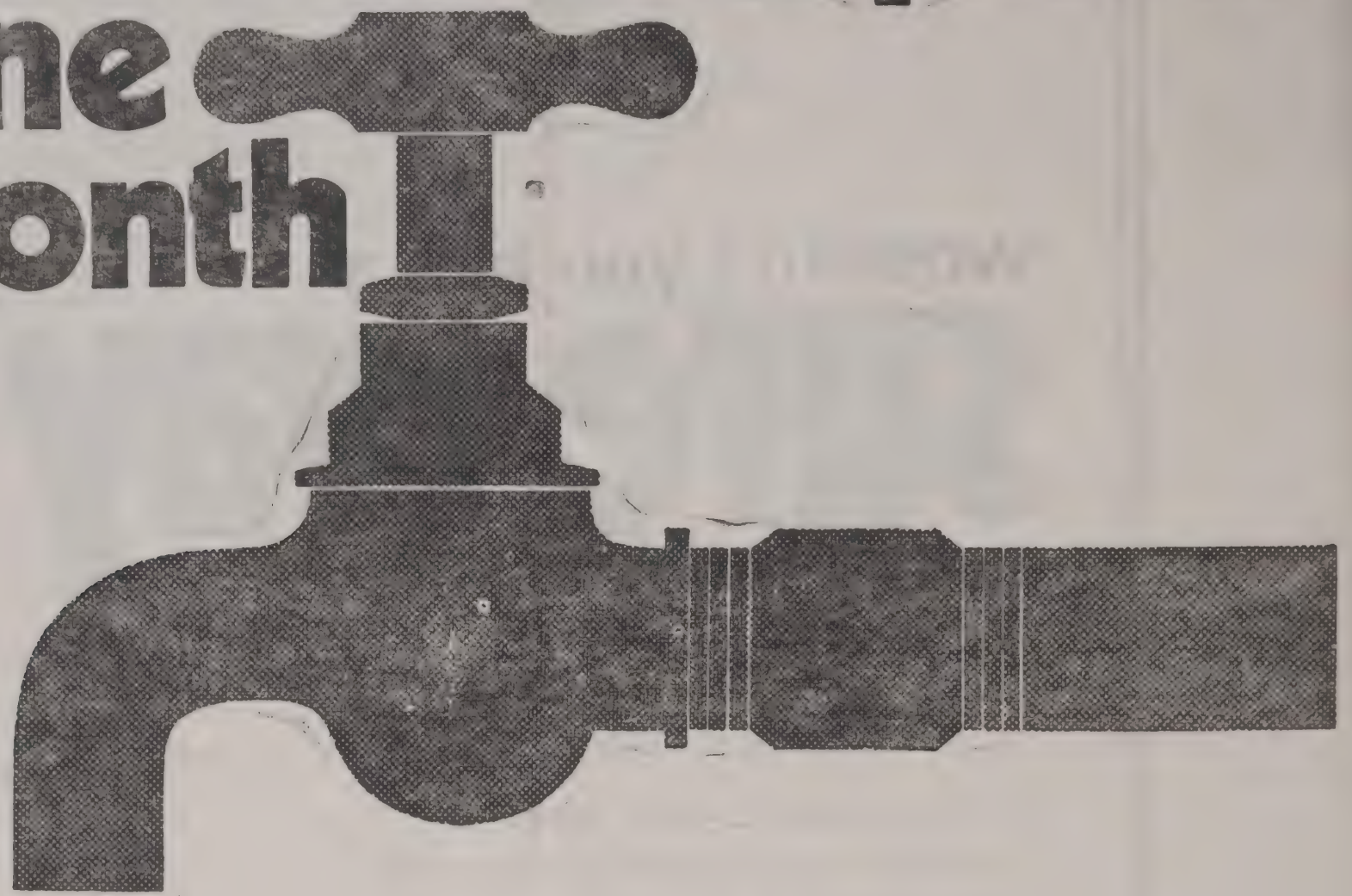
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RECORDS AND STATISTICS

holesale ices

OFFICIAL wholesale prices easured by the official in- (with the year ended ch, 1962 as 100) advanced .2 per cent to 305.6 during , 1974. At this level the x for June, 1974 was high- y 28.1 per cent when com- d to 238.6 for June, 1973. rise in the indices of all modities index was shared n advance in the indices of l articles' by 3.1 per cent 51.2, 'liquor and tobacco' .5 per cent to 304.0, 'indust- raw materials' by 2.8 per to 335.1, 'chemicals' by 2.1 cent to 286.8. 'Machinery transport equipment' by per cent to 282.4 and 'manu- ures' by 0.9 per cent to 3. However, the index for , power, light and lubri- s' remained unchanged at ast month's revised level of 8.

l Articles

he sub-group index for eals' moved up by 1.7 per to 357.2 due to an in- se in the prices of all the als, except wheat which ined under this sub-group. ll in the prices of gram was ost neutralised by a rise in prices of arhar, masur, and l with the result the index 'pulses' sub-group stood at 7 as against 458.8 for the ier month. On the whole index for 'foodgrains' anced by 1.3 per cent to .7. At this level the index 'foodgrains' was higher by as compared to that of a ago.

'fruits & vegetables' rose by 4.1 per cent to 342.9 owing to an increase in the prices of patatoes, oranges and cashewnuts. The prices of onions and bananas, however, declined. The sub-group index for 'milk and milk products' moved up by 1.7 per cent to 325.2 due to higher prices of milk and ghee. The sub-group index for 'edible oils' went up by 3.6 per cent to 411.5 owing to an increase in the prices of groundnut oil, gingelly oil, mustard oil and vanaspati. The prices of coconut oil and mustard oil, however, registered a fall.

The sub-group index for 'fish, eggs and meat' registered a rise of 10.7 per cent due to higher prices of all the items under this sub-group. The sub-group index for 'sugar and allied pro-

Index Numbers of Wholesale Prices by Groups & Sub-Groups (Base 1961-62=100)

Sl. No.	Groups & sub-groups	June 74	May 74	June 73	Percentage rise (+) or fall (—) in. June 74 over May 74	June 74 over June 73
	Food Articles	351.2	340.7	281.4	+3.1	+24.8
	Foodgrains	375.7	370.8	276.2	+1.3	+36.0
	Cereals	357.2	351.3	253.9	+1.7	+40.7
	Pulses	458.7	458.8	376.6	—	+21.8
	Fruits & vegetables	342.9	329.3	274.9	+4.1	+24.7
	Milk & milk products	325.5	319.7	270.6	+1.7	+20.2
	Edible oils	411.5	397.3	324.7	+3.6	+26.7
	Fish, eggs & meat	526.0	475.3	385.0	+10.7	+36.6
	Sugar & allied products	281.0	276.6	296 4	+1.6	—5.2
	Others	254.8	283.1	191.6	+9.3	+33.0
	Liquor & Tobacco	304.0	293.8	245.2	+3.5	+24.0
	Liquor	196.5	191.6	176.0	+2.6	+11.6
	Tobacco	309.0	298.5	243.4	+3.5	+24.4
	Fuel, Power, Light & Lubricants	312.8	312.8	189.3	—	+65.2
	Coal	263.2	263.2	190.4	—	+38.2
	Coke	257.3	357.3	268.4	—	+33.1
	Mineral oils	383.2	383.2	186.8	—	+105.1
	Rectified spirit	323.1	319.1	272.6	+1.3	+18.5
	Electricity	186.5	186.5	161.7	—	+15.3
	Castor oil	394.6	392.9	398.3	+0.4	—0.9
	Industrial Raw Materials	335.1	326.1	282.8	+2.8	+18.5
	Fibres	266.7	264.2	206.6	+0.9	+29.1
	Oilseeds	422.8	409.1	357.2	+3.3	+18.4
	Minerals	158.1	145.3	153.5	+8.8	+3.0
	Others	226.8	277.1	269.6	+3.5	+6.4
	Chemicals	286.8	281.0	209.4	+2.3	+37.0
	Machinery & Transport Equipment	232.4	228.4	175.2	+1.8	+32.6
	Electrical machinery.	219.5	212.2	175.7	+3.4	+24.9
	Non-electrical machinery	263.8	260.9	188.0	+1.1	+39.7
	Transport equipment	187.3	184.1	150.0	+1.7	+24.9
	Manufactures.	248.3	246.2	187.0	+0.9	+32.1
	Intermediate products	339.4	335.7	232.6	+1.1	+45.9
	Textile yarn	282.9	273.3	202.7	+3.5	+39.6
	Leather	244.9	248.0	232.1	—1.2	+5.5
	Metals	408.7	409.7	257.8	—0.2	+58.5
	Linseed oil	435.8	432.5	295.8	+0.8	+47.3
	Finished products	226.2	224.6	177.0	+0.7	+27.8
	Textiles	226.4	230.4	176.6	—1.7	+28.2
	Metal products	256.6	256.6	206.1	Nil'	+24.5
	Non-metallic products	221.6	216.2	165.7	+2.5	+33.7
	Chemical products	228.6	202.8	168.2	+12.8	+42.8
	Leather products (shoes)	125.4	125.4	102.6	Nil	+22.2
	Rubber products	176.2	167.8	161.8	+5.0	+9.2
	Paper products	194.1	194.1	140.6	Nil	+38.1
	Oilcakes	344.2	348.5	316.6	—1.2	+8.7
	Miscellaneous products	168.8	168.3	129.5	+0.3	+30.3
	All commodities	305.6	298.9	238.6	+2.2	+28.1

Source : Office of the Economic Adviser, Ministry of Industrial Development.

ducts' moved up by 1.6 per cent to 281.0 due to higher prices of gur. The prices of khandsari, however, declined. The sub-group index for 'other food articles' registered a rise of 9.3 per cent to 254.8 due to an increase in the prices of all the items under this sub-group.

Liquor & Tobacco

The sub-group index for liquor went up by 2.6 per cent to 196.5. The index for 'tobacco' sub-group rose by 3.5 per cent to 309.0 due to higher prices of tobacco raw.

Fuel, Power, Light & Lubricants

The sub-group indices for coal, coke, mineral oils and electricity remained unchanged at their previous month's level of 263.2, 357.3, 383.2 and 186.5 (revised) respectively. The sub-group indices for rectified spirit and castor oil moved up by 1.3 and 0.4 per cent to 323.1 and 394.6 respectively.

Industrial Raw Materials

Higher prices of cotton raw, jute raw and mesta and coir fibre raised the sub-group index for 'fibres' by 0.9 per cent to 266.7. The sub-group index for 'oilseeds' went up by 3.3 per cent to 422.8 due to an increase in the prices of all the seeds under this sub-group.

The index for 'minerals' sub-group rose by 8.8 per cent to 158.1 due to higher prices of mica and other ores. A rise of 3.5 per cent to 286.8 in the sub-group index for 'other industrial raw materials' was brought about by a rise in the prices of hides raw, tanning materials and rubber. The price of lac, however, declined.

Chemicals

The index for 'chemicals' group recorded a rise of 2.1 per cent to 286.8 owing to an increase in the prices of caustic soda and soda ash. The price of nitric acid, however, declined.

Machinery & Transport Equipment

The sub-group index for 'electrical machinery' rose by 3.4 per cent to 219.5. The sub-group index for 'non-electrical machinery' advanced by 1.1 per cent to 263.8 due to higher prices of tools and implements 'machinery other than electric and beltings'. The sub-group index for 'transport equipment' advanced by 1.7 per cent to 187.3 on account of increase in the prices of vehicles. The prices of cycles, however showed a fall.

Manufactures

Intermediate Products

The sub-group index for 'textile yarn' moved up by 3.5 per cent to 282.9 owing to an increase in the prices of cotton yarn. The prices of coir yarn, however, declined. The sub-group index for 'leather' recorded a fall of 1.2 per cent to 244.9. The sub-group index for 'metals' declined slightly by 0.2 per cent to 408.7 due to a fall in the prices of zinc, brass sheets, copper sheets and lead. The prices of aluminium however, went up. The sub-group index for 'linseed oil' recorded a rise of 0.8 per cent to 435.8.

Finished Products

Lower prices of jute manufactures brought down the sub-group index for 'textiles' by 1.7 per cent to 226.4. The prices of cotton manufactures, silk & rayon manufactures, woollen manufactures and coir mats and matting remained unchanged at their previous month's level of 218.3, 187.3, 331.8 and 201.4 respectively.

The sub-group index for 'metal products' stood stationary at its last month's level of 256.6. The sub-group index for 'non-metallic products' advanced by 2.5 per cent to 221.6 due to higher prices of cement, bricks & tiles and glass manufactures. The sub-group index for 'chemicals' went up by 12.8 per cent to 228.8 due to sharp rise in the prices of fertilisers and essential oils.

The sub-group indices for 'leather products' and paper products' remained unchanged at its last month's level of 125.4 and 194.1 respectively. The sub-group index for 'rubber products' went up by 5.0 per cent to 176.2. The sub-group index for 'oilcakes' declined by 1 per cent 344.2 The sub-group index for 'miscellaneous products' advanced by 0.3 per cent to 168.8. On the whole the index for 'finished products' moved up by 0.7 per cent to 226.2 during the month under review.

Index Numbers of Industrial Production (Base: 1960=100)

Group	Weight	1971-1972	1972-1973	April 1972-Feb 1973	April 1973-Feb 1974	Percentage change	
						1972-73 over 1971-72	April '73-Feb. '74 over April '72-Feb '73
General Index (Crude)	100.00	189.8	199.9	198.9	199.9	+5.3	+0.5
Electricity generated	5.37	369.8	387.0	387.2	391.0	+4.7	+1.0
Mining & quarrying	9.72	157.2	165.2	164.4	165.0	+5.1	+0.4
Manufacturing	84.91	182.3	192.0	190.9	191.7	+5.3	+0.4
Food manufacturing	12.09	156.3	162.5	163.1	153.2	+4.0	−6.
Beverages and tobacco	2.22	186.6	167.3	171.9	189.5	−10.3	+10.
Textile manufacturing	27.06	108.3	114 0	114.5	109.4	+5.3	−4.
Cotton textile	21.18	106.8	112 2	112.8	111.6	+5.1	−1.
Jute textile	3.97	98.2	93.8	93.3	82.6	−4.5	−11.
Footwear manufacturing	0.21	169.6	149.6	146.1	148.0	−11.8	+1.
Wood & cork manufacture	0.80	225.0	198.7	203.9	165.6	−11.7	−18.
Paper & paper products	1.61	233.8	220.0	217.7	240.0	−5.9	+10.
Leather & fur products	0.43	54.1	62.3	59.9	80.0	+15.2	+33.
Rubber products	2.22	251.6	247.7	248.9	258.5	−1.6	+3.
Manufacture of chemicals	7.26	264.4	296.5	292.9	300.0	+12.1	+2.
Petroleum refinery products	1.34	324.4	310.8	307.2	340.0	−4.2	+10.
Non-metallic minerals	3.85	211.2	226.5	226.6	229.9	+7.2	+1.
Basic metal industries	7.38	214.5	227.1	224.2	207.8	+5.9	−7.
Manufacture of metal products	2.51	232.8	256.2	253.0	234.5	+10.1	−7.
Manufacture of non-electrical machinery	3.38	377.7	418.1	408.0	458.4	+10.7	+12.
Electrical machinery	3.05	416.2	430.6	427.8	437.8	+3.5	+2.
Transport equipment	7.77	123.4	137.7	134.2	146.7	+11.6	+9.
Miscellaneous industries	1.23	104.4	78.7	80.5	86.8	+24.6	+7.

Reserve Bank of India

(Rs lakhs)

	Aug. 2 1974	A week ago	A month ago	A year ago
Issue Deparment				
Notes held in banking department	23,05	48,77	25,49	35,06
Notes in circulation	6,161,41	6,207,47	6,484,28	5,577,91
Total notes issued	6,184,45	6,256,24	6,509,77	5,612,97
Gold coin and bullion	182,53	182,53	182,53	182,53
Foreign securities	166,74	166,74	166,74	177,37
Rupee coin	12,78	13,86	7,38	12,70
Government of India rupee securities	5,822,41	5,893,11	6,153,12	5,240,38
Banking Department				
Deposit of central government	56,64	55,60	89,51	98,15
Deposits of state governments	24,28	12,94	15,23	18,18
Deposits of bank	614,55	627,71	532,69	600,51
Other deposits	511,63	519,89	529,10	204,44
Other liabilities	1,384,27	1,399,97	1,393,04	1,051,91
Total liabilities or assets	2,591,37	2,616,10	2,559,58	1,973,20
Notes and coins	23,15	48,84	25,57	35,15
Balances held abroad	504,93	523,67	548,92	282,51
Loans and Advances to :				
State governments	137,77	187,79	187,63	115,22
Scheduled commercial banks	210,71	246,90	395,65	5,24
State coop. banks	242,19	236,84	228,66	223,49
Other loans and advances	271,32	272,12	289,34	166,67
Bill Purchased and Discounted				
Internal	230,56	243,66	269,12	4,40
Government treasury bills.	312,93	275,38	114,31	326,67
Investments	554,87	463,79	360,72	765,43
Other assets .	102,94	117,12	159,65	48,44

Scheduled Commercial Banks

(Rs lakhs)

	Aug, 2, 1974	A week ago	A month ago	A year ago
1. Demand deposits	4,716,00	4,714,65	4,577,05	3,917,54
2. Time deposits	6,228,41	6,201,81	6,109,89	5,370,79
3. Aggregate deposits	10,944,41	10,916,46	10,686,94	9,288,33
4. Borrowing from Reserve Bank	210,71	246,90	395,65	5,24
5. Cash	264,84	275,93	319,53	248,12
6. Balance with Reserve Bank	593,93	606,03	508,88	584,47
7. Cash and balances with Reserve Bank	858,77	881,96	828,41	832,59
8. Investment in government securities	2,583,49	2,539,24	2,460,61	2,279,50
9. Advances	6,270,33	6,287,66	6,226,57	5,109,49
10. Inland bills purchased & discounted	1,171,53	1,190,62	1,194,26	905,13
11. Foreign bills purchased and discounted	368,89	373,48	377,15	259,20
12. Total bank credit	7,810,75	7,851,76	7,797,98	6,273,82
Percentage of :				
(7) to (3)	7,85	8,08	7,75	8,96
(8) to (3)	23 .61	23 .26	23 .02	24 .54
(12) to (3)	71 .37	71 .93	72 .97	67 .55

Source: Reserve Bank of India.

Money Supply with the Public

(Rs. crores)

Week ended	1973	1974				
	July 27	June 21	July 5	July 12	July 19	July 26
A. Money supply with the Public	9,874	11,376	11,379	11,469	11,394	11,291
Cnrrency with the Public	5,700	6,645	6,612	6,640	6,533	6,393
Other Deposits with the Reserve Bank	44	48	45	60	52	56
Bank Money	4,070	4,683	4,722	4,769	4,809	4.842
B. Factors affecting Money Supply (1+2+3+4—5)						
1. Net bank Credit to Government Sector	8,593	9,091	9,163	9,274	9,280	9,290
(a) Reserve Bank's net Credit to Government Sector	6,215	6,570	6,611	6,686	6,667	6,658
(b) Other banks' Credit to Government Sector	2,378	2,521	2,552	2,588	2,613	2,632
2. Bank Credit to Commercial Sector (a+b).	7,717	9,675	9,740	9,806	9,815	9,776
(a) Reserve Bank's Credit to Commercial Sector	280	652	646	640	633	623
(b) Other Bank's Credit to Commercial Sector	7,437	9,023	9,094	9,166	9,182	9,153
3. Net Foreign Exchange Assets of Banking Sector	671	678	631	631	620	605
4. Government's Net Currency Liabilities to the Public	478	493	493	492	489	507
5. Non-Monetary Liabilities of Banking Sector (a+b+c)	7,585	8,561	8,648	8,734	8,810	8,887
(a) Time Deposits with Banks	5,634	6,444	6,454	6,517	6,560	6,546
(b) Net Non-Monetary Liabilities of RBI	1,219	1,473	1,473	1,451	1,477	1,504
(c) Residual	732	644	721	766	773	837
C. Aggregate Monetary Resources [A+B5 (a)]	15,508	17,820	17,833	17,986	17,954	17,837

Source: Reserve Bank of India.

Consumer Price Index Numbers for Industrial Workers

Centre	1965-66	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1973			1974			
									April	Nov.	Dec.	Jan.	Feb.	Mar.	Apr
						(Base: 1949=100).									
All-India	169	213	212	215	226	233	251	304	269	315	316	321	325	334	34
						(Base: 1960=100)									
All-India .	—	—	174	177	186	192	207	250	221	260	259	264	267	275	28
Ahmedabad .	130	168	165	169	176	181	198	245	222	257	262	264	260	264	27
Alwaye	145	183	198	197	198	202	215	267	226	275	246	265	273	288	29
Asansol	140	168	176	187	189	194	206	245	216	256	234	258	263	274	28
Bangalore	144	172	180	183	186	194	212	265	234	273	274	280	284	286	28
Bhavnagar	132	173	176	178	186	194	217	273	253	285	289	293	289	285	29
Bombay	130	162	167	175	182	190	203	233	217	237	238	241	243	249	25
Calcutta	131	163	170	172	182	187	197	228	204	236	238	240	241	255	26
Coimbatore	132	151	147	152	163	177	189	218	199	223	226	232	236	246	25
Delhi	136	172	178	185	199	211	222	265	235	274	271	278	280	296	30
Digboi	138	198	185	180	189	188	198	234	209	242	252	249	255	256	26
Gwalior.	139	191	179	184	191	197	214	271	243	275	280	290	299	312	31
Howrah.	137	178	181	176	186	191	206	239	212	251	252	256	255	270	27
Hyderabad	140	167	173	185	189	195	211	251	229	249	257	257	263	271	27
Jamshedpur	136	183	171	190	183	187	202	249	217	254	259	268	275	278	29
Madras	134	151	150	160	170	182	203	229	213	231	233	238	241	248	26
Madurai	128	146	148	162	183	193	206	236	212	247	248	254	251	257	26
Monghyr	151	215	185	188	203	204	225	292	249	305	308	324	343	347	34
Mundkayam	138	173	186	191	197	199	210	263	218	274	265	271	272	286	29
Nagpur .	138	164	166	176	187	192	203	256	210	279	278	275	275	277	27
Saharanpur	141	188	176	181	186	196	213	253	222	263	264	276	280	290	29
Sholapur	128	165	167	176	185	198	216	277	248	283	298	293	282	279	28

Source: Labour Bureau Govt. of India

Consumer Price Index Numbers for Urban Non-Manual Employees

(Base: 1960=100)

Centre	1965-66	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973					1974	
								Feb.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb
All-India	132	159	161	167	174	180	192	196	219	223	226	228	231	23
Bombay	132	153	156	162	168	172	183	186	209	202	205	206	206	21
Delhi-New Delhi	131	154	162	178	174	180	190	192	217	219	223	226	229	23
Calcutta	126	152	156	162	170	174	180	189	202	210	211	213	214	21
Madras	133	154	154	161	175	188	204	211	226	229	235	238	240	24
Hyderabad-Secunderabad	133	155	159	167	174	180	195	204	221	223	228	229	229	23
Bangalore	133	156	160	162	172	180	194	201	232	233	235	235	237	24
Lucknow	132	159	156	161	166	174	185	190	214	220	221	220	226	22
Ahmedabad	131	160	162	168	171	173	188	198	220	224	225	228	231	22
Jaipur	133	162	168	176	183	188	205	210	244	252	253	255	256	26
Patna	139	170	174	191	190	199	199	202	224	229	230	238	248	24
Srinagar	134	160	157	174	184	191	191	201	211	215	219	222	223	22
Trivandrum	131	165	168	172	178	183	198	205	228	230	241	243	245	24
Cuttack-Bhubaneswar	142	164	167	169	176	184	196	196	218	228	231	232	232	23
Bhopal	133	166	166	172	180	188	204	208	242	243	244	243	248	25
Chandigarh	129	155	165	171	178	183	194	193	219	221	221	222	224	22
Shillong	123	155	163	164	166	175	183	185	205	208	214	281	220	21

Source : CSO

hort of power

THE PROBLEM of power shortage was the theme of an annual statement to shareholders made recently by Mr Viren J. Shah rman, Mukand Iron and Steel Works Limited. Nobody can say that Mr Shah s not have his priorities right. It is indeed only too clear that an early increase dustrial production depends above all on an improvement in the availability of tricity. Now that the dust is settling down on the monetary and fiscal measures government has taken to deal with inflation, it is important that New Delhi's preoccupation should be with positive ways and means of increasing produc-, both industrial and agricultural.

In any programme for this purpose power must necessarily come for prior ation. Mr Shah has addressed himself to various aspects of this problem with gh degree of clarity and precision. He has rightly emphasized that almost the thing that must be attempted is to improve the basic efficiency of the maintenance operating staff at the point of power generation. Recently, writing in *The nomic Times*, Dr K. L. Rao had argued that there was nothing wrong with the lity of the personnel responsible for maintenance or operations of the generating ions. He had also used liberally the usual cliches about our engineers and other nical personnel being second to none in the world. The ex-minister was clearly fusing the issue.

The proof of the pudding is in the eating. It is a fact that productivity in ver generation is poor and much poorer in some states than in others. As Mr h had pointedly asked, if the Tata power house at Trombay could generate 6,800 n for every kilowatt of installed capacity, how is it that the thermal stations of state electricity boards could generate only 3,000 kwh? Mr Shah also emphasized y rightly that if all the power plants in the country could be run as efficiently as HINDALCO and Trombay power plants, which were operating at around 90 per t of capacity, the power shortage experienced in various parts of the country, ecially eastern and northern India, would not have assumed such critical propor-ns. In the face of this reality there is no point in employing emotive words or ases about the excellence of our engineering or technical personnel. Assuming t the men are of the very highest quality, it becomes all the more relevant to ask at has been happening to management, which is also very much a human factor. at there is a high degree of inefficiency and corruption—inefficiency being endemic corruption rampant—is something which cannot be glossed over or white-washed. e sooner the varied governmental agencies concerned in this business, particularly state electricity boards, are forced to face this fact, the better it will be for the ntry.

Mr Shah has also attempted to draw national attention to losses in transmission l distribution. Here again Dr K. L. Rao had been defending the indefensible. argument was that in a country such as ours, where electricity had to be trans-ted over long distances and distributed among a large number of small users, there s bound to be a certain loss in transmission and that international comparisons ld therefore have only limited application. It is true that international standards l have to be used with caution. Nevertheless, an average loss of 17 per cent for country as a whole (and as much as nearly 30 per cent for some states) is wastage too serious a nature to be treated casually. In any case, if large losses are a ture of our pattern of transmission and distribution, this would surely justify asking ourselves whether, given the shortage of power, there should not be a re rational utilization of this scarce asset. Mr Shah has suggested that here haps there could be some justification for the rural electrification programme to re-examined in the light of optimum utilization of available power. The Rural ctrification Corporation, incidentally, has framed a scheme for giving loans to the te electricity boards for system improvement.

On August 28, in the Lok Sabha, the minister of state in the ministry of Planning,

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in reply to a question, stated that power development was a core sector programme and was being given high priority. According to Mr Mohan Dharia, New Delhi is giving the highest priority, next only to defence, to the execution of power projects in respect of supply of scarce materials such as steel, cement, aluminium, industrial gases, explosives, etc. The minister has also claimed that the central government has recognised that electricity is the most important infrastructure required for economic development. So far as hard facts go, however, there have been unconscionable delays in the implementation of power projects, whether they are hydel, thermal or nuclear—a point which Mr Viren Shah has made with great force—and Mr Dharia's assurance, therefore, will be only worth so much as the improvement that may be actually achieved in the execution of power projects within the next two years. Fortunately the ministry of Irrigation and Power has been showing a sense of urgency and Mr K.C. Pant seems to have set himself a target of commissioning about as much additional generating capacity in the first two years of the fifth Plan as was installed in the last four years.

Meanwhile the ministry seems to have received some encouragement from the fact that the prospects for hydel power are much better now than they were at about this time last year. Although the south-west monsoon was delayed, late rains since the close of July appear to have added to the water level in strategic reservoirs, including Rihand and Sharavati. The situation in Bhakra, however, could be better. On the distribution front there has been some constructive consultation and collaboration between the ministry in New Delhi and the state government in West Bengal. This seems to have provided the basis for the launching of the rationing scheme in that state with some confidence that a certain level of availability of power could be maintained in terms of a systematically regulated consumption pattern. The ministry of Irrigation and Power seems to have given substantial assistance or encouragement to this enterprise in several ways including the export of power to Calcutta from the Santaldih and the Bandel-DPL system. An effort has also been made to bring about substantial improvement in the DVC supply.

In addition the Irrigation and Power ministry has decided to tackle energetically the problem of spare parts. While the HEL is increasing its production of spares, the BHEL will be operating through a Spares and Service Division a pool of spare parts required for imported generating units. Finally, most of the specific suggestions made by Mr Viren Shah or other responsible observers, who have been studying and commenting on the power situation, seem to be engaging the attention of the Irrigation and Power ministry while the eighth conference of state ministers of Irrigation and Power, held in New Delhi in July this year, did give the impression that quite a number of problems had been identified for specific action. What is now really important is that neither the government nor the community should let itself become habituated to chronic shortage of power. On the contrary, a feeling of crisis should be kept alive and continuing action taken on a high priority basis.

Burning the candle at both ends

THERE IS no proper comprehension even in well-informed quarters of the magnitude of the efforts being made by the central government and the railways for mobilising additional resources to prevent an undue bulging of uncovered deficits and sustain a high level of non-Plan and Plan expenditure. From the observations made by the union Finance minister, Mr Y. B. Chavan, and the union Railway minister, Mr L. N. Mishra, the impression may be gained that there will be severe cuts in spending in many directions and disbursments on revenue and capital accounts will be much smaller than originally intended. This is far from the actual position. A close analysis of the meagre data furnished by both Mr Chavan and Mr Mishra will indicate that the central exchequer is seeking to raise additional revenues on an unprecedented scale and the cumulative effect of the new imposts will be felt acutely in the next financial year.

When the central budget estimates for 1974-75 were first presented tax proposals were framed for raising additional revenues to the extent of Rs 212 crores. The railways too adjusted passenger fares and freight rates for yielding an extra 136 crores. Even after these levies the centre's overall deficit was expected to be Rs 126 crores and that of the railways Rs 52 crores. In the latter case, there was some justification for leaving the deficit uncovered as there was a throw forward of Rs 42 crores in respect of arrears of salaries and allowances pertaining to 1973-74. With better aid receipts and buoyancy in tax revenues it had been hoped that the centre would find it possible to contain the uncovered deficit at the budgeted level, though in respect of the railways the unfortunate developments in May this year, resulting in a crippling strike by its employees, were responsible for a serious deterioration in the financial position which was already in bad shape.

The Finance and Railway ministers have not succeeded in achiving economies on the scale required or reducing Plan outlays for meeting the challenges posed by a serious inadequacy of resources. The supplementary demands presented to Parliament by Mr Chavan provide for additional expenditure of Rs 112 crores under dearness allowances, Rs 125 crores towards food subsidy, Rs 75 crores for Defence and Rs 152.70 crores for core projects in the first year of the fifth Plan, in all Rs 464.70 crores. It has been assumed that there will be a reduction of Plan and non-Plan expenditure in some directions of Rs 200 crores resulting in a net overrun of Rs 264.70 crores.

It is this overrun that Mr Chavan has sought to reduce by imposing additional taxation which will secure for the center's share Rs 123 crores. With the remaining uncovered gap of Rs 141.70 crores and the earlier budget estimate of

fter new taxation of over Rs 300 crores n two instalments will leave a sizeable ap.

In the railway budget too, a similar ncomfortable position emerges though he new levies are intended, according to Mr Mishra, to offset only the loss in evenue of Rs 140 crores expected to be ustained due to the strike and the subsequent slow recovery. Even with additional imposts for Rs 276 crores in the urrent year, there will be an uncovered eficit of Rs 109 crores without taking nto account the additional liability that will have to be met in respect of dearness allowances payable from June this ear. As there is likelihood of a further ise in coal and steel prices, the deficit nay eventually turn out to be over Rs 225 crores.

Mr Mishra has already indicated that e may be obliged to come again before Parliament for fresh demands later in he year in the light of subsequent developments. It must of course be said that he deficit would have been normally Rs 35 crores if there had been no loss in evenue of Rs 140 crores, with the strike lone accounting for a fall in receipts by over Rs 92 crores. The exceptional character of the deficit will therefore have to be borne in mind and it should be possible for the railways to put the budget in order in 1975-76 when the full impact of the additional burden of over Rs 370 crores is felt next year.

The centre too has attempted to raise additional resources in a manner which will have a hurting effect on many sectors of the economy. The total imposts will account for gross receipts of Rs 444 crores in 1975-76 and perhaps more if the heavy duties are to be levied on higher prices. The railways, as stated above, have increased the burden on its users by Rs 370 crores. Between the centre and the Railways the additional burden will thus be Rs 814 crores. Since the revenue estimates are conservative in some directions, the actual collections may turn out to be Rs 850 crores in 1975-76 and Rs 650 crores in the current year. Excluding the loss in revenues to the extent of Rs 140 crores, in respect of the railways, the amount available for spending by both the centre and the railways on the basis of disclosed data will be as much as Rs 510 crores. To this must be added the profits arising out of higher crude prices and through sugar exports. The total can easily be Rs 700 crores if the increase in aid receipts and net borrowing through open market loans is taken into account.

It will therefore be seen that aggregate spending by the central government and the railways will be higher by this amount and there will still be an uncovered deficit of Rs 377 crores on both counts and probably Rs 500 crores if the railways have to incur additional expenditure on additional dearness allowances and under other heads. The central exchequer has clearly lost all control over budgeting and is obviously not worried about the serious inflationary impact of this heavy spending spree. It may of course be stated that 50 per cent of the dearness allowances payable to central government and railway employees after July 1 amounting to Rs 350 crores in the aggregate may be immobilised to the extent of 50 per cent. Even so, only Rs 175 crores will be immobilised leaving a sizeable outgo along with the uncovered deficit being reflected in a further big increase in money supply. It would have been normally expected that there would be a sincere effort to reduce expenditure and bring down the pressure of demand on scarce supplies.

The outlay on continuing schemes and larger expenditure on projects which are in the final stages of completion cannot of course be avoided. It will also be necessary to pay additional dearness allowances and meet heavier food subsidies besides being obliged to provide larger allocations for achieving the same objectives on account of higher costs. But all these adjustments could have been completed with available resources.

A significant increase in output in the agricultural and industrial sectors also can be achieved by utilising unused capacity of industrial units in the public and private sectors. The centre does not

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seem to be thinking on constructive lines and is somehow obsessed by the idea that a mere containing of deficits at the budgeted levels can be helpful in preventing a further accentuation of inflationary pressures. It has been conveniently overlooked that much bigger uncovered deficits are likely to arise even after mobilising additionally over Rs 700 crores. The anti-inflationary measures announced earlier do not therefore have any meaning in the new context. There may actually be burning of the candle at both the ends.

New export incentives

In his presidential address at the first quarterly general meeting of the Indian Chamber of Commerce, Calctutta, on August 9, Mr D.P. Chakravarti suggested that the government of India should introduce an export investment rebate in order to give a fillip to the country's export drive. He said that a special investment rebate might be permitted to industries which exported over 25 per cent of their annual production. He explained that such an incentive would help the export industries to obtain funds for their modernisation and diversification and encourage them to export more. He pointed out that since the foreign damand for Indian products had been lately going up and there was an improvement in the unit price of many Indian exports, this was the appropriate time to give a further impetus to export promotion.

Mr Chakravarti, however, did not elaborate on his proposal regarding the export investment rebate. But it is clear that, in the present context, some new and effective incentives will spur our exporters to intensify their efforts to seek fresh markets and strengthen their hold in the existing markets. It is worth noting that though there are nearly 4500 industrial units in India, only about 125 of them contribute substantially to export earnings. Despite intensive export promotion efforts in the last 10 years, Indian firms, on the whole, do not seem to be taking an increasing and intensive interest in selling their products in the foreign markets. An export investment rebate is likely to reverse this trend and enthuse more firms to turn their attention to the foreign markets. The cost of plant and equipment required by Indian industries has steeply gone up in recent years because of the high level of import duties and other causes; and this makes it more difficult for our industries to compete effectively in the markets abroad. It is therefore felt that an export incentive rebate will help our industries to overcome these disabilities and strengthen their competitive capacity.

It may be recalled that, at the export convention held recently in New Delhi, sponsored jointly by the Federation of Indian Export Organisations and the Punjab, Haryana and Delhi Chamber of Commerce and Industry, it was pointed out that the government's decision to withdraw the development rebate and its replacement by the 20 per cent initial depreciation allowance for 22 selected industries would not have the desired impact on corporate investment for export production. It was suggested that the initial depreciation allowance should cover all units exporting 25 per cent or more of their production, whether they were included in the list of 22 industries or not. In whichever form this incentive is given, there is today an imperative need to give our industries some powerful fiscal benefit so as to enable them to avail themselves of the vast opportunities that exist in various countries for selling our goods.

Mr Chakravarti also appealed to the government to reintroduce the tax credit scheme for exports. He pointed out that certain countries such as Brazil and Ireland gave a complete tax holiday on export profits. The tax credit certificate (export) scheme was introduced in India in 1965 but was withdrawn with effect from 1968-69. The government may consider the revival of this scheme which will also help to impart a further impetus to export promotion.

In addition to favourably considering new incentives, New Delhi should take appropriate measures in order to make the existing incentives really effective. Business organisations all over India have, on numerous occasions, drawn the government's attention not only to the inadequacy of the existing incentives but also to the enormous delays and practical difficulties in getting them. For example, the recent export convention pointed out that the policy of giving cash assistance was far from satisfactory. This incentive covers about 460 product groups including engineeing goods, chemicals and related products, sports goods, iron and steel and textiles, and the amount ranges from three per cent to 25 per cent of the net f.o.b. value of exports The convention stressed the need for establishing a direct link between the rate of such assistance and the proportion of exports to the total production. The complaint was made

Eastern Economist 30 Years Ago

September 8, 1944

Of all "bottlenecks," the most serious for the democracies in the initial stages of transition from peace to war economy was that of organisers, technicians, and skilled and semi-skilled labour. This dearth could not easily be made good through the absorption into industry of the registered unemployed; for among their ranks are included workers, changing from one employment to another, relatively unskilled workers, and those possessing redundant skills. Thus the problem of training assumed a critical importance; for 'the demand for labour is composed of a series of complementary demands for different types of labour, and a shortage in certain types of skill will hold up advance in productive activity and prevent the absorption of workers in related processes, and special measures were found necessary to train rapidly a large supply of various kinds of semi-skilled and skilled workers to cope with the needs of the expanding war industries.

ver with the degree of processing under-
ne by the export product" and that,
nsequently, industries with a relatively
ger degree of processing failed to get
y special encouragement. As regards
e drawback of customs and excise
ties, the convention said that it did not
all constitute an incentive, since this
cility is available almost in all countries
d it only places Indian exporters on a par
th their counterparts abroad.

Apart from the general inadequacy
d ineffectiveness of the existing incen-
es, the procedure for claiming them
ntinues to be tedious and dilatory.
ggestions have been made from time
time to eliminate red-tape in disbursing
sh assistance and other benefits, and
ough some attempts have been made
simplification in certain directions,
ere is still much room for improvement.
or example, exporters have suggested
at cash assistance may be disbursed
rough the banks on negotiation of
xport documents and that it may be
redited to the account of the exporter.
he government should examine the
easibility of this as well as other pro-
osals so that these incentives will have
ne desired effect.

No less important is the need for
nsuring some reasonable stability in
xport policies. The president of the
ndian Chamber of Commerce regretted
hat the fiscal policy in relation to exports
ad not been formulated on a long-term
asis and that this had caused much uncer-
ainty in developing exports. He said
hat frequent changes in fiscal policies
elped to strengthen industries in foreign
ountries which competed with our
xporters. This point was expressed
nore forcefully by Mr Raunaq Singh in
recent speech. He said that there was
"a certain amount of ambivalence in our
ntire approach to the problems of
xport". "I have to say with great dis-
ppointment", he observed, "that
nstances are not lacking when the
government policies are changed, without
he least of warning and what is more
listressing, without any consultations
whatsoever with the exporting community
and their organisations". He explained
that no businessman would be able to
have a long-term strategy unless he was assured of stability in the policies for a reasonable period. He asserted that "this sense of uncertainty" should be removed if the country was to achieve a sustained rate of growth in export. One can understand uncertainties arising from the fluctuations in foreign exchange rates, revision of shipping freights, and changes in the import policies of other countries. But should New Delhi add to these difficulties by the sudden and drastic changes in export policy?

India's total exports in the first quarter of the current financial year have been estimated at Rs 643 crores compared to Rs 460 crores in the similar period of the previous year. This sharp increase of 40 per cent looks impressive but it has been caused mainly by the buoyancy in the foreign demand for our sugar. It should be realised that many of our export industries continue to be confronted with impediments of various types. These have been identified at several seminars and similar forums and specific suggestions have been made to solve them. But mainly due to the lack of close and continuous coordination among the economic ministries at the centre, there has not been effective follow-up action on these proposals. The impact of the oil crisis on our economy and the strain on our balance of payments arising from the steep increase in the cost of imports should shake off complacency on the part of the government in regard to the policies and procedures for export production and promotion. The Delhi convention, referred to earlier, observed that "imaginary problems" were raised in implementing policies and that, as a result, shipments were delayed and the benefits which the exporters were supposed to get were denied to them. The government therefore should see to it that the existing incentives are fully and promptly made available to exporters and, at the same time, the suggestions for new incentive should also be considered favourably.

Bombay cries out for more

About a third of the entire proceeds of of corporate and personal income-tax and more than half of the customs and excise duties collected by the centre come from Bombay. The city also accounts for three-fourths of the state's revenues from taxes on sales, vehicles, entertainment and betting. In absolute terms, its contribution is as much as Rs 2,300 crores in the total annual revenue of about Rs 5,000 crores yielded by the union taxes and duties under reference—and Rs 225 crores a year out of a total of nearly Rs 300 crores of revenue from the state taxes considered here.

Set against this fiscal contribution amounting to more than Rs 10,000 crores for the five years of the fifth Plan, the plea advanced by the Bombay Pradesh Congress seminar (August 10-11) on "the developmental needs of Bombay" for an allocation of about Rs 1,250 crores for financing the city's housing, transportation, water supply and sewerage, education and public health schemes during the Plan period would seem to be reasonable. Whether it would be fair to expect of the centre to provide the bulk of this amount is another matter, considering that similar demands for central assistance could well be made by other cities in the light of their respective fiscal contributions.

Be that as it may, there is no denying that the developmental needs of Bombay are pressing enough to call for huge financial outlays. Civic conditions—present and projected—in the city are too depressing to contemplate. With its population of 6.5 million confined to a small area of 440 sq kms, Greater Bombay is verily bursting at the seams. As many as 1.4 million of this population are living in filthy slums and many of them sleep on footpaths. Conversion of the 250,000 wretched hutments in these slums into habitable tenaments would alone involve an outlay of Rs 75 crores. If the slums which are a standing blot on this city of factories and skyscrapers are to be converted into fairly decent residential areas, by far the highest priority would have to be assigned to the task. But this is not

all, for an additional 450,000 tenements would need to be built for low-income, middle-income and industrial working classes at a total cost of Rs 425 crores. The requirement under both the categories is bare minimum as against the projected need of 760,000 additional tenements by 1981. The state's fifth Plan, alas, has made a provision for no more than 19,000 tenements. What a yawning gap between the Plan provision and the projected requirement! If this gap is not substantially narrowed by 1981, nearly half the city's population, which will then be 8 million, will be condemned to intolerable living conditions in residential terms.

Of the civic amenities, protected water supply and sewerage are of cardinal importance in sanitary terms to the city's teeming numbers of people. The current daily water supply of 325 million gallons for all purposes—domestic, industrial and commercial—is deemed inadequate for a population of 6.5 million. This situation may be partially remedied by Phase-I of the IDA-aided water supply and sewerage scheme under way. Expected to be completed in 1977, the scheme will augment the daily supply by 125 million gallons. It is a committed scheme involving a total outlay of about Rs 186 crores, of which Rs 75 crores will be provided by the Bombay Municipal Corporation, Rs 18 crores by the state government and Rs 93 crores (including Rs 42 crores of IDA aid) by the centre. But the growing demand for water will still not be fully met, and there are also the requirements of New Bombay (under development), the Metropolitan Area of 18 towns adjoining Greater Bombay and the industrial areas to be taken care of with an outlays Rs 36 crores.

Phase-II of the IDA-aided scheme, if completed by 1981, would cost a further Rs 128 crores. All in all therefore, an aggregate expenditure of Rs 350 crores for water supply and severage schemes is a 'must' for Bombay which is already subjected to frequent reductions in water supply. The older residents recall the period 1924-44 when the city had water supply for about eight hours daily at a high pressure. The position has since deteriorated to such an extent that domestic water supply is now available at a high pressure only for a couple of hours.

In the field of transportation, the situation in Bombay has become increasingly difficult since 1951 when there were only 30,000 vehicles on the roads. The number of vehicles has since increased more than five-fold thereby adding to traffic congestion though, at the same time, meeting a part of the transport requirements. The speed of traffic in the congested parts of the city has been reduced to that of a bullock cart. This phenomenon of tangled traffic and metropolitan immobility is aptly called "traffic thrombosis". As one expert put it at the seminar, "paradoxically, Bombay has now grown to a stage where it threatens to strangle the very transportation that made it possible". He fears that, if the present congestion is not solved early, Bombay will become an economic liability. In his considered opinion, transportation must enlarge and improve to keep pace with the urban population growth in geometric progression.

Thus, the general features of a mass transit system for Bombay, whose surface systems are already choked to capacity, should be (i) a metropolitan railway as the basic system to effect rush-hour mass passenger transport, (ii) a complementary bus and/or trolley bus system providing necessary connections not ensured or ill-ensured by the basic system and (iii) in the suburbs, lines leading down to the basic system with less powerful modes like buses and trolley buses. It has been estimated that the transport schemes canvassed would entail an outlay of Rs 520 crores by the railways and Rs 100 crores by the state government and its transport undertakings.

The total requirements of funds, as worked out by the BPCC seminar, for housing, water supply, transport, education, public health, environmental control etc. for the fifth Plan period are:

	Rs crore
Housing	243
Water supply & sewerage	320
Transport	620
Education	14
Public health	10
Environmental control	13
Industrial estates, regrouping of service industries and fisheries development	10
Tourism, sports, playgrounds	6
Total	1236

Source-wise the government of Maharashtra, its agencies and the cooperative sector have been urged to provide Rs 169 crores, the Bombay Municipal Corporation Rs 334 crores, the private sector Rs 47 crores, and the central government, railways and other central agencies Rs 686 crores. In other words, substantially more than half the suggested outlay is expected to be financed by the centre. The question is whether the centre would be in a position to provide that much assistance for the developmental needs of Bombay. That it must come to the rescue of Bombay with its mounting civic problems is, however, not open to dispute, though the state government and the centre may have different views on the feasible scale of assistance. The state government which has assessed Bombay's developmental needs at about Rs 1,700 crores (including Rs 350 crores for the new Bombay project), is emphatic on the point that Bombay's development should be treated as a national problem on the analogy of Calcutta.

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FROM THE CAPITAL'S CORRIDORS

V. Balasubramanian

Getting the Chogyal Have It • Pathak Says It Safely • Dharia Caught in a Crash • Sugar Report at Last • Did She, or Didn't She ?

THE PRIME minister seems determined to make the current session of parliament as memorable a one as possible. On the morning of August 30 she presided over a meeting of the union cabinet at which a decision was taken to introduce and, if possible, adopt a Constitution (Amendment) Bill this week to give representation in parliament to the Indian protectorate of Sikkim. Soon after the cabinet meeting the prime minister had a discussion with the leaders of the various parliamentary groups to apprise them of the government's intention.

Strengthening relationship

On the following day, in answer to a question put to her at a meeting of the Congress parliamentary party executive, Mrs Gandhi indicated that the proposed bill would provide for Sikkim's representation in the Indian parliament through two members to be elected by the Sikkim national assembly, one for Lok Sabha and the other for Rajya Sabha. She explained that this move was in consequence of the resolution unanimously passed on May 11 by the new Sikkim assembly, elected for the first time on the "one man one vote" principle, that there should be further strengthening of Indo-Sikkim relationship and that Sikkim should be able to participate in the political and economic institutions of India. She also revealed that the government of Sikkim had made a formal request for Sikkim's representation in India's parliament in accordance with the desire of the people of Sikkim affirmed in the Government of Sikkim Act, 1974 promulgated on July 4.

While the first reaction of the Jana Sangh leaders was to welcome the move, the CPI and the CPI (M) said that they needed time to study the implications of the proposal, while the DMK and the ADMK representatives in parliament wanted to consult their respective party leaders.

opposition doubts

Over the weekend, however, views of the opposition groups seemed to be generally veering away from according outright support to the government on this issue, although, at the time of writing, only the Congress (O) seems to have finalized its views or its strategy. Its leader, Mr S. N. Mishra, in a letter to the prime minister, has characterized the intended measure as a "constitutional monstrosity." He has argued that, under the Treaty of 1950, the people of Sikkim are already entitled to the facilities implicit in Sikkim's special relationship to India and that his party therefore sees no valid reasons for altering the decision which the Indian constituent assembly had taken regarding the Sikkim question after full consideration of all the implications involved. Mr Mishra points out that Sikkim is not a part of India and that the Indian constitution cannot be twisted to give its people representation in our parliament. Only the territories of India come under our constitution's jurisdiction and only our people can or shonld have the right to elect representatives and through them shape our policies. He has also emphasized the point that our laws cannot be extended beyond our territories and that those to whom our laws do not apply cannot be among our law-makers.

The Congress (O) leader has proceeded to express a fear that to have representatives from Sikkim in our parliament would mean that the Indian constitution would undergo a basic change in a way which was not contemplated by its framers or the constituent assembly. He suggests that, if the bill is passed, India's federal polity will be transformed into a looser political entity. The consequences of such a change, as his party sees it, could be highly disturbing and have serious complications, both internal and external. Mrs Gandhi herself was reported to have conceded at the meeting of the Congress parliamentary party executive that the representation of Sikkim in the Indian parliament might give rise to some adverse international reactions. She admitted, in particular, that China might view the whole thing from an unhelpful angle. There is also an apprehension in some quarters that Nepal might choose to be upset and, perhaps, Bhutan as well.

adverse consequences

Quite a few members of parliament, however, express even more concern about possible adverse consequences on the domestic front itself. Mr Mishra more than merely hinted at this when he said in his letter to the prime minister that "some political elements might even try to make the newly forged ties a basis for an agitation, as the political trends (in this country) have been towards greater, and not less, autonomy. When spelt out, this trend of thinking would seem to mean that separatist forces, for instance in

Kashmir, might pretend to see in the Sikkim scheme a formula which should also be rightly made to apply to Kashmir in its relation towards the rest of the Indian Union. There are even members of parliament who profess to foresee state-level parties, such as the DMK, trying to make political capital out of the proposed Sikkim model. Incidentally, New Delhi's move with regard to Sikkim has come at a time when the long drawn-out discussions between Mrs Gandhi's representative Mr G. Parthasarathy and Sheikh Abdullah are reported to have entered their final phase.

Members of parliament presented a farewell address to the outgoing vice-president, Mr G. S. Pathak, on August 29. As chairman of the Rajya Sabha Mr Pathak had been in close and continuous contact with legislators and there is general agreement that he had shown both dignity and competence in conducting the proceedings of the House on many difficult occasions. Mr Pathak certainly had high standards to maintian, for Dr Radhakrishnan was an institution by himself while Mr V.V. Giri had become veteran statesman by the time he came to occupy the chair in the Rajya Sabha. It therefore goes to the credit of Mr Pathak that his own record as chairman had acquired a certain distinction in the annals of our parliamentary institutions. Among his many virtues as presiding officer was his ability to guide the proceedings of the House into productive channels without curbing discussion.

critical comments

Having said this I should also record the fact that quite a few members of parliament were rather critical about certain passages in his reply to the farewell address. The outgoing vice-president said that corruption, if unchecked, "can destroy domocracy which is our most valuable asset." The clear implications of this statement are that there is corruption in the administration, government, politics and public life and that it is already so extensive that its further growth must be viewed with the utmost concern. The question is why Mr Pathak should have been keeping quiet during all the days of his vice-presidency about this cancer in the body politic. It cannot be that he became aware of this evil only in the days or hours immediately preceding his quitting office. Do not people who hold high public office owe an obligation to the country to speak against such evils as corruption while they are still in positions of authority or influence? A vice-president after all is part of the establishment or the system. If he is disturbed by anything in the functioning of this establishment or system, is it not his duty to say so then and there instead of waiting until he has concluded comfortably his term and has nothing further by way of public office to look to?

independence of judiciary

These questions are perhaps of special relevance to another remark of Mr Pathak which was about the independence of the judiciary. He claimed that problems relating to the independence of the judiciary "which cause anxiety to members of parliament and the public were matters of deep concern to me also" and he proceeded to emphasize that an independent judiciary, and the rule of law, in its widest connotation, were the *sine qua non* of domocracy. Could it be that Mr Pathak was having in mind the highly controversial supersession of certain judges of the Supreme Court when the government chose a new chief justice some time ago? Anyhow his words are bound to be interpreted as expressing his disagreement with what was done by the government on that occasion. It should be interesting to have Mr Pathak clarify his position. Meanwhile, on the assumption that the vice-president was unhappy about what the government did, it would not be unreasonable to ask whether he took any step at all to use the authority and influence of his office to persuade the government against the course of action which it was following. As quite a few members of parliament have not been slow to suggest in private conversations, the country can benefit from vice-presidents or presidents having high and noble thoughts about the independence of the judiciary or the evil of corruption only if these worthies are prepared to do something about it while they are still in office.

The minister of state in the ministry of Planning has not been having to easy a time. MPs in both houses found enough ammunition in the reports of the Auditor-General for 1971-72 and 1972-73 on the implementation of the crash employment programme to grill Mr Dharia mercilessly. In Rajya Sabha, particularly he had quite a few difficult moments on August 23, when member after member called on him to confess that the crash programme had crashed and that the money spent on various schemes had simply gone down the drain. Mr Dharia is neither an elegant debater nor a persuasive one in the best of times and, on this occasion, he had a poor brief indeed. Yojana Bhavan of course has its own peculiar lingo which, on the lips of a skilful practitioner of the art of making the worse appear the better cause, could be reasonably successful in confusing issues or confounding critics but then, Mr Dharia mouthed this lingo as if it were a foreign language which he did not understand, nor expected his audience to. He claimed without sufficient evidence that the crash programme had been instrumental in considerably increasing the employment opportunities for engineers seeking jobs. This apart, there was something patently farcical in his playing with figures in a context where all statistics were so obviously speculative.

sugar report

The minister for Food and Agriculture, Mr C. Subramaniam, laid on the table on August 26 the report of the Sugar Industry Inquiry Commission. Five of the ten members of the commission including the chairman, Mr Justice V. Bhargava, had proposed that nationalization be limited to sick mills, irrespective of whether they belonged to the private or cooperative sector. The remaining five members recommended the nationalization of all the private sugar factories regardless of whether they were sick or not: they were not in favour of the cooperative sector factories being interfered with. This two volume report running into 1,400 pages clearly needs to be examined carefully and in detail. It is obvious that the government cannot make up its mind in a hurry although it is certainly necessary that everything should be done to cut short the period of uncertainty. In

ny case state governments will have to e consulted since the circumstances of ugar factories vary widely from state to tate and even between different parts of ne same state. Moreover, in their evi-ence before the commission, state gov-rnments had expressed the view that, in ne event of nationalization, the factories hould be run by the state governments oncerned. Actually this attitude adop-ed by state governments would, in the iew of some MPs, make it logical for the entral government to let the issue be ecided at the level of the states by indivi-ual state governments. There are how-ver others who are completely against he centre divesting itself of any parts of is responsibility in this matter which in-olves a major nationwide industry.

ssue of sick mills

Meanwhile such of the MPs as are nthusiastic about nationalization, profess o be disappointed over the government's tatement that more time is needed to rrive at a decision on the recommenda-ions of the commission "in view of the izeable financial outlays and complex dministrative issues involved." In this onnection it may be noted that the group eaded by Mr Justice Bhargava has speci-ied 24 sick units to be considered *prima facie* for nationalization on payment of ompensation of Rs 7.37 crores on the asis of written down value of these fac-ories and a much larger compensation on he basis of their net worth. It is estimated hat these mills would need Rs 18.40 crores or rehabilitation and modernisation. he other five members of the commission who have advocated the take-over by he government of all the private sector actories, have estimated that the tran-action would cost the taxpayer Rs 74.17 rores on the basis of the written-down alue. Rehabilitation and modernisa-ion will entail an expenditure of Rs 5.87 crores. The working capital require-ents of the industry as a whole for pro-ducing 4.5 million tonnes of sugar will be about Rs 31 crores besides a normal ank credit of Rs 170 crores.

There has been a great to-do in parlia-ent about the prime minister pulling the minister for Commerce for mentioning n the Rajya Sabha the names of certain members of parliament who were alleged o have signed a memorandum recommen-ding the issue of import permits for cer-tain firms. The complaint was that, since the signatures of most of these MPs were said or known to have been forged, Professor D.P. Chattopadhyaya was guilty of a lapse in giving out their names in a context which was bound to cause them unjustified embarrassment. There were stories in the press that Mrs Gandhi had pulled up the minister for what she consi-dered to be an act of indiscretion. The opposition benches claimed that the prime minister had been guilty of breach of privilege since she had taken to task a minister for giving to parliament the in-formation it was entitled to. So far as the Commerce minister's action is con-cerned, I have no doubt that, once a spe-cific question was put to him in Rajya Sabha about the names of the signatories or alleged signatories, he was duty-bound to give that information when he did have it with him. Normally ministers are not forthcoming enough either during the question hour or on other occasions when members of parliament seek information in the course of the due discharge of their responsibilities as the representatives of of the people. To the extent that Pro-fessor Chattopadhayaya chose to be com-municative rather than otherwise, he seems to have erred on the right side if he has erred at all. Members of parlia-ment therefore do have a reasonable gri-evance if the Commerce minister has suf-fered or been made to suffer in any man-ner for giving the information he had in his possession after a member of parlia-ment had specifically asked him for that information. In the ordinary course, when national security or other matters of public interest are not involved, the treasury benches should be encouraged to be informative rather than be discour-aged from being so.

On this occasion the prime minister denied in Lok Sabha that she had pulled up Professor Chattopadhyaya. What she said was no doubt true as truth goes but, then, what exactly does "pulling up" mean? I am sure that it was nobody's contention that she had taken him by the scruff of his neck and shaken him; nor was there a suggestion, I think, that she had twisted his ears. "Pulling up" ob-viously means in this context a varbal admonition and not physical chastisement. Since the deputy minister in the ministry of Commerce had on behalf of the govern-ment expressed regrets in parliament for the disclosure of the names of the MPs, it is obvious that the prime minister did feel that Professor Chattopadhyaya should not have disclosed those names. In these circumstances it would have been strange indeed had Mrs Gandhi not made her views known to him: What kind of language she used, whether it was a scolding or a gentle reprimand, is beside the point. What is relivent is that the Commerce minister was in all probability spoken to by the prime minister. But then Mrs Gandhi has denied that she pul-led up Professor Chattopadhyaya — and she is undoubtedly a most honourable woman. In any case ours is a land which has its own unique history and culture and I am naturally reminded of a certain episode in *Mahabharata* where the divine author of the *Gita* spoke the truth as he saw it or wanted others to see it; *Asvattama hatam kunjaraha.*

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Sweet "sons of the soil"

M. R. Meher

THE QUESTION of preference in employment to local people, popularly referred to as "Sons of the Soil" has long been a subject of controversy. Recently the Tamil Nadu government, following the example set by the Maharashtra government, has asked industrial establishments and other employers to give 80 per cent of the jobs to local people, defined as those with a 15-year residential qualification in the state, irrespective of their mother tongue. The 80 per cent reservation covers all technical, non-technical, supervisory and non-supervisory jobs. If fewer than 80 per cent are employed in any establishment, the ratio has to be made good through future recruitment.

In Tamil Nadu itself this direction has come in for criticism. It is pointed out that sons of Tamil Nadu stand to lose if this policy is followed by all states, for while not many outsiders seek employment in Tamil Nadu, the adventurous and industrious Tamils are employed in large numbers in almost every part of India.

absurd proposition

On principle it is also said that since an Indian born or domiciled in any state can have his vote transferred to any constituency in any other state without requirement of residence there, it would be absurd that he cannot seek a job elsewhere than in his state. The Karnataka Industries minister has recently suggested a national approach to the question of employment of local people.

The National Labour Commission went into this matter and observed that social and economic mobility is an important element of an industrial society. It operates all over the world and India is no exception. The commission went on to say, "We cannot suggest giving up the fundamental approach that a citizen of India should be able to secure employment in any part of the country. And it is within this approach that we have to find a way after satisfying local aspirations. We have, therefore, to seek a solution, keeping in mind the primacy of common citizenship, geographical mobility and economic feasibility of locating industrial units on the one hand and local aspirations on the other".

The commission referred to the principles laid down by the government of India in the matter of public undertakings and observed that these directives, if implemented in the spirit in which they were drawn, would provide adequate scope to local people. The government of India has laid down that for posts in public undertakings carrying a salary of Rs 500 and less, recruitment should be made from the local employment exchange and other sources should be tapped only if the local employment exchange issues a "non-availability certificate". A representative of the state government is invariably included for recruitment to lower posts. In the case of higher posts the union government's policy has been that recruitment should be done on the basis of merit on an all-India basis.

When the question was raised in the Lok Sabha by members some time back on the stand taken by some states on 'sons of the soil' issue, the Prime Minister stated that a balance has to be struck between the right of every citizen to work in any part of the country and the anxiety of local people to have their due share of opportunities nearer home. It is undeniable that this is the correct principle but how the balance to be worked out and applied is the question.

rational policy

Employers may be expected to cooperate on any proposals to employ local people to the largest possible extent, subject to their suitability. Such claims for employment would usually be in respect of large establishments, but these have to follow a rational recruitment policy. Arrangements to give preference to local people would have to permit transfer of technical personnel and specialists from one region to another. Further, there would be possible compromise of the levels of skills that can be obtained for industrial employment if restrictive policies in the matter of employment cover a very wide range of the higher grades of employment. For example, in some states competent administrative and technically qualified personnel are not always easy to find among local people.

In this connection it may be pointed out that in the interests of greater industrialisation some state governments have even been giving encouragement to industrialists from other states to develop enterprises in their states. Skills of varying complexity are required in such enterprises and it is necessary that a practical and flexible approach rather than a rigid approach is required. On the other hand the need to give preference to local people in categories of employment calling for little or limited skill and in simple clerical jobs is generally adequately recognised. It might be mentioned that the governments of states which are more industrialised are particularly concerned about the employment of local people. In Maharashtra attention has also been drawn to the overcrowding caused by labour migrating from all parts of the country to such cities as Bombay, Poona and Nagpur.

benefit of employment

The case for preference in employment to local people is grounded on the need of industry to confer social benefits on the people of the local area in which it operates. In the current socio-economic context employment is the greatest of such benefits. In view of this and the regionalisation of education and difficulties of language a realistic view has to be taken.

The argument that such practices offend the spirit of the Constitution is weakened by the specific provision in the Constitution allowing domicile restrictions in public employment in the states. Furthermore, it could be argued that the ill-effects on national integration of the policy of giving preference in employment to local people would be offset by the integration of the work force in each industrial unit, which would make the handling of labour problems easier. On the other hand, extreme parochialism in 'sons of the soil' policy would definitely be harmful to the cause of national integration. It seems desirable that the centre and the states should tackle the question in a cooperative spirit by evolving an agreed policy in this matter.

Indexation of loans

Jossleyn Hennessy
London

I

Why Index at All?

E ONWARD march of inflation directly ects the money and capital markets re than many other economic sectors. tes of interest, especially short term, ve risen greatly and the long term mar- s reflect the uncertainties felt about e trend of rates.

It is therefore not surprising that the ssibility of indexing credits, debts and cks and bonds of all kinds is being re and more discussed among econo- sts and in financial circles.

Without entering into the arguments d counter arguments sustained by se who have taken up definite positions or against indexation, the Belgian ciete Generale de Banque (3 Montague Parc, Brussels 1000) in its latest Bul-

WINDOW ON THE WORLD

tin offers an analysis of the different ays in which bonds could be indexed.

The indexation of bonds seeks to ckle several different problems.

I. The first concerns *the struggle gainst inflation and the objectives of eco- omic policy in general.*

If long-term bonds no longer attract he investor he will naturally turn to- ards short-term stocks which are raised nd encashable and therefore all the ore dangerous from the viewpoint of nflation, or he will prefer to invest in eal goods (houses, silver, antiques wine nd other commodities), or, again, he will speed up his cash buying, and thus dd to the pressure of demand on prices. he problem is therefore to find means f maintaining the supply and demand for funds, while simultaneously seeking to preserve adequate remuneration for capital, because a rise in the cost of capital is acceptable only in so far as there are possibilities of downward adjustments of of the rate of interest when the rates of inflation is slowed down.

The question arises whether indexation in addition to its compensating and stabilising effects, may not have further curative results, because it reduces the undue advantages that certain borrowers —above all the government—can exact by means of inflation—advantages which often reveal themselves by accelerating demand, notably for investment.

II. As regards *social justice*, indexation of bonds would be only one special aspect of a broader policy aimed to protect the buying power of individuals and of enterprises.

III. The danger of *continuous erosion* of the capital market.

This risk is aggravated by the growing uncertainty about the future evolution of buying power of money in the units of which loans and fixed rates of interest are expressed, and of the evolution of the long-term rates of interest which depend on the price at which loans are issued.

In this article we shall concentrate on the danger of a continuous erosion of the capital market. The types of solutions proposed and the kinds of indexation envisaged therefore depend on the average investor's ideas about future inflationary movements.

Long term rates of interest are expected to compensate proportionately for the fall in buying power due to the rate of inflation anticipated at the moment of investment. The level of long term rates therefore depends basically on the degree of existing inflation and public expectations about its trend, as well as on the actual evolution of the market, that is to say the supply and demand for capital, and the influence on the market of the trend of short-term rates of interest.

The sound functioning of the capital market therefore presupposes that some degree of forecasting, is still possible, because if the situation defies forecasting lenders will prefer to place their funds in short-term bonds and borrowers will no longer find long term funds available on acceptable conditions. Long-term borrowers already face ever increasing difficulties, and if these difficulties persist the banks, issuing houses and other financial intermediaries will be under ever greater pressure to operate conversions from short to long-term and themselves to assume the risks of the trend of interest rates during the term of the loans to which they have subscribed. Such, noteably, is the case with the Belgian banks which subscribe heavily to state loans at the request of the authorities, which they can hardly refuse.

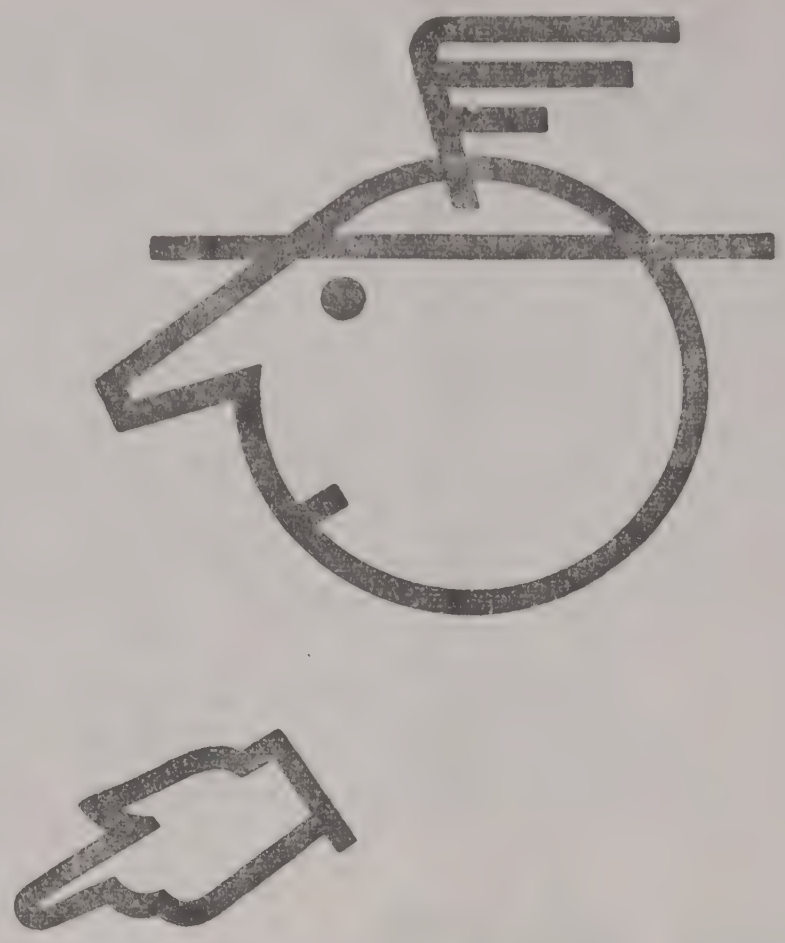
II

The Means of Indexation

What is needed, therefore, is to find a formula which ensures maximum conservation of the buying power of the funds lent and which inflicts loss neither on the borrower nor the lender.

There are two possibilities; either to guarantee the stability of the buying power of the capital, or progressively to adapt the current rates of interest on the loan; part of this current adaptation would have to compansate for the depreciation of the capital in the course of the year. There is no legal obstacle in Belgium to applying an indexation clause to capital or interest rates in so far as public or private loans are concerned.

The guarantee of the stability of the buying power of capital can be ensured either, (1) by the partial or complete indexation of the capital linked to the retail price index, or (2) by indexation linked to other values such as, e.g., the price of gold, the level of tax receipts, the figure of the gross national product for loans to the public sector, or the turnover at cur-



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rates or the selling price for private
s, or (3) by a formula of profit-shar-
onds.

Guarantee of the stability of the buy-
power of capital means a reduction in
cost of current rates but creates a
ier burden as capital sums are repaid
due course. The borrower would
to enter on his profit and loss ac-
t and on his balance sheet a provi-
for the revaluation of debt. The
of the loan would be made up of:
he nominal rate of interest (lower
the market rate of interest for gilt-
d); and (b) an accumulating fund to
t the redemption of the loan in accor-
e with the course of the indexation
These two factors taken together
ld cause extremly variable costs from
year to another.

culative commodity

The Belgian bank considers that the
asury will not go in for guaranteeing
stability of capital buying power. It
s that the Treasury will only carry
ard the real costs of loans on the final
s when redemptions are most impor-
; the Treasury would thus benefit
n nominal gains in the earlier years.
reference base will depend on the
re and quality of the borrower. It
ld be logical from the viewpoint of the
e to index loans on the cost of living.
exation on revenue receipts would be
attractive because redemption costs
ld become higher as tax receipts rose,
le, on the other hand, the Treasury
ld, in relation to the public debt, reap
antages by lagging behind in the col-
ion of taxes. Nor does indexation
he price of gold seem attractive, be-
e gold is now an extremly speculative
modity and has lost its former close
tion to the internal buying power of
given currency. Indexation linked
gold could also be regarded as cover
inst the external depreciation in the
ue of currency.

For an enterprise, indexation on the
e of its products might seem logical,
lenders would be less enthusiastic
ut the value of such a link. Consider
case of producers of electricity, which
first sight seems relatively simple
ause electricity is an homogenous
duct. To link the capital of loans
ed by electricity producers to the
e of electricity would in fact amount
ndexation largely on the price of coal,
or natural gas. The degree to which
enterprise is free to fix its sale prices
st also be taken into account. If, for
mple, the government controls the
price of electricity, indexation
ounts to subsidising electricity consu-
rs by those who lend to electricity
producers. In this case, therefore indexation linked to the cost of living would be more logical. A manufacturing enterprise, on the other hand, could well afford to see the level of its sale prices fluctuate in accordance with the cost of the factors entering into its production, or in accordance with changes in the amounts and quality of raw materials used in its products.

A rise in the rate of interest compensates, at least in part, the extent to which it is caused by the depreciation of the buying power of the currency. The result for the borrower is that the final capital redemption is much reduced because the compensations for the depreciation of the currency has been continuous throughout the years while the capital sum itself has not been revalued.

It is, in this connection, possible to draw a parallel with the problem of replacing assets by setting sums aside for depreciation. When prices rise and depreciation allowances are based on the initial cost price, the amounts set aside are insufficient to replace obsolete equipment, while in the mean time the firm's profits are over-valued. In this case, the replacement of assets favours the debenture holder and not the firm. On the macro-economic level realities are better respected, because the enterprise pays back the real value of its loan which is deductible from its profits. On the other hand, the individual lender, who finds himself allocated indexed, and therefore increased, rates of interest, might find himself taxed on what the tax collector would consider a higher income (although this would not be true for enterprises or financial intermediaries.)

formulas of indexation

The problem of the taxation of nominal profits or incomes is important. The tax structure could impede certain formulas of indexation if the tax collector were to consider as non-taxable the product of the value added resulting from the indexation of the capital, but were to continue to tax in full the indexed payments of interest.

In practice the following formulas of indexation seem the more attractive:

I. *Indexation of the rate of interest on the cost of living.*

In theory, it is not the rate of interest in itself which should be indexed, but the interest should be raised by a percentage corresponding to the actual difference between the rise in price of the consumer goods index and the initial rate of interest of the loan.

Suppose a bond carries a nominal interest of seven per cent. If the rise in the cost of living in the twelve months immediately preceding the date for the payment of interest reaches nine per cent, the nominal rate should be increased by two per cent (or by one per cent if compensation at 50 per cent only has been agreed). In this case the real rate of interest would fall to zero or even to minus one per cent, which would be grossly unfair to the investor.

II. *The link is established not between the consumer index price but wtth the short-term rates of interest,* which are much more sensitive in a period of inflation. (This formula is not exactly in line with the concept of indexation but is closer to that of a bond with a variable rate of interest linked to the money market, but while these concepts differ slightly, they both have the same object). This formula is not altogether satisfactory. In a period of "stagflation" it might be good policy to reduce, or to allow to fall, the short-term rate of interest below the rate of inflation in order to give a boost to the economy. The problem is therefore to choose a rate of interest which is both stable and representative.

a base rate

Would it be possible to index loans to a "base rate" which would be agreed upon by the different examples represented by the financial intermediaries or to link loans to the base rate for bank advances which is itself a composite rate?

The reference to the short-term rate of interest for the fixation of the long-term rate calls for certain observations.

The long-term rate of interest should normally be rather above the average of the short term during the life of the loan. The difference of the two rates is justified by:

(a) The necessity of rewarding the lender for his undertaking to leave his funds at the disposition of the borrower for a definite period (i.e. giving up his liquidity preference and, eventually, facing the risk of insolvency in the longer run);

(b) The compensation of the risk incurred by the obligation to estimate this average rate of the short-term market during the period of the loan.

When forecasting the short-term rate of interest becomes impossible because of an erratic market, the fixation of a long-term rate becomes a gamble and it is therefore an open question whether it is reasonable to wish at all costs to continue to fix the rate at a long term level. Should one not go back to the basic principles that fix the rate of interest and recognise the utility of following

the short-term rates for at least as long as uncertainty reigns?

III
Conclusions

The indexation of redeemable loans understandably faces considerable opposition because of :

The novelty of the procedure and the difficulty of choosing an index base;

The effect on the potential costs of borrowers;

The commanding position of big borrowers such as governments and national and international bodies; and

The repercussions on the rates of loans already issued and on other instruments of the money and capital market.

It must however be admitted that if the present pessimism concerning the trend of inflation persists, the market itself will insist on indexation for all bonds and state issues. But would the issue of indexed bonds not lead to switches from old issues towards new, from unindexed to indexed bonds? What then would be the trend of the rates for new issues? What would be the position of institutional bond holders?

For these reasons the Belgian Bank considers that indexation will, at any rate in its beginnings, probably be progressive and partial.

Uncertainties about the rate of interest make the market for long-term bonds highly speculative, but indexation of interest rates will not improve this situation.

It would seem that the best system of adaptation could be very different for different borrowers. For service enterprises (i.e. for those in which prices rise faster than the consumer price index) linkage to the cost of living index might be acceptable. On the other hand, the state might consider indexing its loans on the cost of living or on the short-term rates. In certain special cases, for example when loans are raised to finance important investments which will not be productive for several years (e.g. the nuclear industry) indexation of the capital might be offered.

For certain categories of investors loans at low rates of interest but with capital indexed might be preferable, while others might prefer current compensation. There would then be "income bonds" and "capital gain bonds".

In conclusion it may be presumed that the views of the tax authorities will (Alas!) determine which index formulas are chosen. The diversity of the interests of borrowers and lenders and of the rules which institutions are legally bound to observe suggest that a corresponding diversity of indexation formulas will be applied.

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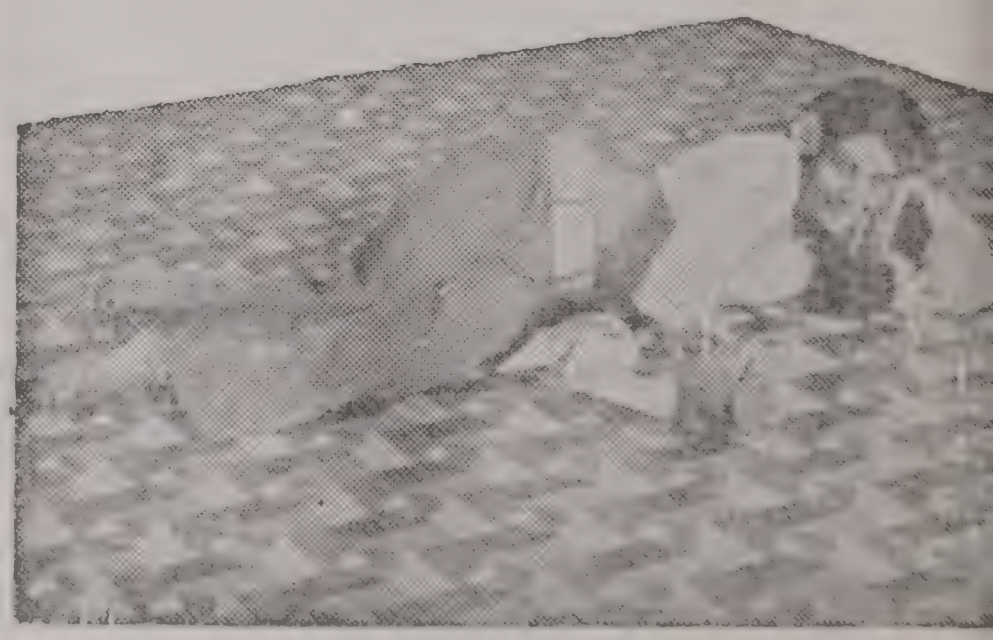
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Good Houses to live in

re and have been never very easy to get; was therefore natural that successive residents or their families should have been loath to leave Rashtrapati Bhavan when their respective tenures came to an nd. Even so there is surely something ickening about the obvious reluctance of nese worthies to quit when the time comes. t was no secret that Rajendra Prasad as sore that he could not spend all ne rest of his natural life in Rashtrapati Bhavan. His successor, Dr Radhakrishnan, as so evidently impatient to step into Rajendra Prasad's shoes but, when his wn turn came to leave, he most certainly id not jump at the chance. As for Zakir Hussain, the decision was taken out of his ands.

The reactions of Mr V.V. Giri or rather f the Giri family seem to have more than ept up this tradition. There is no gainaying the fact that Mr Giri and even more so his wife would have dearly loved second term. One need not blame him r her for this, human nature being what it is; but, surely, what was until reently the nation's first family could have been more gracious about it all. So long s she was lording it over at Rashtrapati Bhavan, Mrs Giri never used to hide her light under a bushel. On the contrary, he was disposed to spread her considerble presence about on all public or semiublic occasions. But, when the time came for Mr Giri to hand over office to his successor, his wife was nowhere on the scene. Days earlier she had quietly betaken herself to Bangalore as if the last sad moments of departing presidency would be too much for her to go through or put up with.

Mr Giri himself was necessarily more stoic and it must be said that his closing days at Rashtrapti Bhavan were not without a certain dignity. Perhaps they would have been more graceful had he not chosen to express, while he was still president, his private views publicly on the controversial issue of the railway employees who had participated in the May strike and, worse still, disclosed in an interview to the PTI the advice he claimed to have given to the Railway minister. This apart — and returning to my main theme — I do hope that at least when the present president, his wife and family get their opportunity, they will try to create a new tradition in the matter of leaving high public office. For politicians to cling to power is bad enough: for public men to cling to office without power is immeasurably worse.

The sad death by sui-

cide of Balraj Khanna (who was leader of the Jana Sangh in the Delhi Municipal Corporation) prompts me to repeat to myself a question which has always intrigued me. Why at all should any one, even if one is committing suicide, set about the business in the most physically painful or violent manner possible? One answer could of course be that a lot of suicides or would-be suicides just do not have knowledge of or access to the less painful or violent means of self-destruction. It is also possible that some suicides are committed either in depths of despair when one's mental faculties are paralyzed or in paroxysms of strong emotions when one's self is, so to speak, at sixes and sevens. But, even when these and similar explanations are exhausted, there would still remain a large grey area of speculation about possible motivations for the means that come to be chosen in particular cases. Even those who may be presumed to have knowledge of or access to less violent or painful ways quite often go out of their way to do away with themselves in the most violent or painful manner possible.

There was the case some time ago of a scientist at the Pusa Institute who hanged himself from a ceiling fan and last week Balraj Khanna jumped from the sixth floor of a building. It is quite likely that where such acts of self-destruction are concerned there is a raging element of resentment against a particular individual (or individuals) who may often be within the family circle or in the office, professional, business or social circle of the person committing suicide. In these cases may also be a more or less conscious urge to punish that individual (or those individuals) by burdening him or her (or them) with a sense of guilt that might hopefully last throughout his or her life (or their lives). It is also possible that the resentment is not directed against others but against one's own self, in which case there could be a definite element of masochism. On the philosophical plane I could very well understand a man or a woman at some point in his or her life, while being in the full possession and enjoyment of his or her normal mental and emotional faculties, deciding deliberately to call it a day for reasons which seem sound and sufficient to him or her. In such circumstances the physical act of suicide itself could be an orchestral movement of the utmost grace and dignity free from the grossness which goes with messy ways of putting an end to one's life.

Tom Driberg writes in

the *New Statesman*: "It is some indication of the general quality of American politics that one's first thought was to give a tepid welcome to President Ford's choice of Nelson Rockefeller as Vice-President, on the grounds that he is so rich that he could hardly be corrupt, since he does not need to be. However, when I said this to that acute commentator, Gore Vidal, he retorted: 'On the contrary, he is so rich that he *is* corrupt. His family owns Chase Manhattan Bank which owns the United States. Ford is simply regularising the ownership.' "

This makes me think of that headline of *The Guardian*: "Ford builds a Rockefeller Foundation." Could the truth rather be that it is Rockefeller who is building a Ford Foundation ? The Republican team for the next presidential election need not necessarily be Ford and Rockefeller. It could very well be Rockefeller and....

Perhaps not; for anyone who had once been president of the United States, no other public office is possible. Rockefeller, however, need not be in difficulties about finding a running mate, if the need arises. Kissinger, of course, will be too obvious a choice, and in any case the secretary of state has not been particularly brilliant lately—witness Cyprus. Mrs Nancy Kissinger, however, should be available and 1976 may not be too early for the United States to have its first woman vice-president — although 1976 could still be too early for that country to have its first negro vice-president.

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V. BALASUBRAMANIAN

IE BOMBAY and Calcutta re-ons were traditionally the imes of modern industry in dia. Tamil Nadu, Gujarat, aryana and Punjab however ve been catching up although ey still have far to go. The cord of Tamil Nadu in wide-nging industrial develop-ent is among the more satis-ing chapters in our country's onomic growth since inde-ndence. The state's indus-ial landscape presents an reeable variety of large, me-um and small industries, the anufacture of capital goods d the production of consu-er goods, both main and ncillary or feeder industries nd agro-based manufactures well as industries using ineral raw materials.

Much of this is due to the ct that the government in amil Nadu has a history of sitive 'interventionism' in dustrial development. For tter or worse, Tamil Nadu's dustrialization has there-re come to be associated with tive encouragement from the ate government. Among e means by which this en-ouragement is extended are e special institutions for in-ustrial financing.

The doyen among these insti-utions is the Tamil Nadu Indus-rial Investment Corporation imited (formerly the Madras ndustrial Investment Corpo-ation Limited) which has the istinction of being the first erm-lending financial insti-ution to be set up at the state evel in the country. It has lso been the first among state inance corporations to ven-ure into the field of capital articipation or the issue of eferred payment guarantees. n this sense it has been ttempting to function as a ruly development bank ren-ering a range of promotional ervices to industry. Incorpo-rated in 1949, the TIIC is elebrating its silver jubilee this year. Its present paid-up capital is Rs 2.99 crores towards which the state government has contributed Rs 1.77 crores or about 60 per cent, while the IDBI holds 25 per cent and the government of Pondicherry about five per cent. The balance has come from insurance companies, cooperative societies, investment trusts and other bodies corporate.

In the 20 years between 1949 and 1969 the TIIC had sanctioned 357 loans for a total amount of Rs 27.73 crores against which Rs 20.80 crores were actually disbursed. In the following five years 513 loans were sanctioned for a total amount of Rs 19.92 crores, with actual disbursements working out to Rs 10.98 crores. In the year 1974 itself the number of loans sanctioned came to 157, the amount sanctioned to Rs 6.20 crores and the amount disbursed to Rs 3.43 crores. In addition, credit assistance in the form of guaranteed loans or deferred payment guarantee has been extended by the corporation. It has also been transacting underwriting business and subscribing to equity shares and debentures.

The cumulative gross assistance sanctioned up to the end of March 1974 under various heads amounts to Rs 87.79 crores and the total assistance disbursed or availed of works out to Rs 54.92 crores. These are perhaps not very large sums in themselves but, as some of the statistics cited would suggest, the corporation's business is not only growing, but has grown much faster in the last five years than it had done in the preceding twenty. In any case, as the following pages will indicate, the role of TIIC as a development bank is being much appreciated in business circles. Even an instinctively critical observer of the government and all its doings in the economic sphere, such as Mr S. Narayanaswami, has not merely been eloquent but has even been sentimental in discussing the contribution of the TIIC to the industrialisation of Tamil Nadu.

The corporation, consistent with the ethos of the times, has a number of schemes with a pronounced socio-economic purpose. It has been able to secure a foreign exchange line of credit under the IDA scheme and this finance is also available to small-scale units which normally find it difficult to obtain loans in foreign exchange. Again, with the active assistance and guidance of the state government, the corporation has introduced several special schemes giving concessional assistance to industrial units located in backward areas, small-scale units, technocrats, rural medical practitioners and other preferred categories. The concessions, broadly speaking, include lower rates of interest and longer repayment periods extending up to 14 years. Recently the TIIC has entered into an arrangement with the Small Industries Development Corporation (SIDCO) for giving consortium loans to small scale industrial units. Whereas the TIIC generally sanctions assitance up to 75 per cent of the value of the available fixed assets, under the consortium arrangement a further 15 per cent would be forthcoming from SIDCO, thus making up to 90 per cent of the security available.

Perhaps some more details may be provided about the special scheme for the benefit of self-employed 'technocrats' for starting small industrial units. The scheme aims at assisting qualified engineers, diploma and certificate holders and/or persons who have adequate specialized experience in and knowledge of the industry they propose to take up, to set up small-scale industrial units coming within the field of their qualification or experience. Thanks to the TIIC-SIDCO consortium arrangement, eligible technocrats will be given loans up to Rs 1,00,000 without any margin. For projects above Rs 1,00,000, but not exceeding Rs 2,00,000, a margin of 10 per cent required will be provided by SIDCO.

In the following pages an important point is made more than once that industrial financing institutions could do maximum good only if they are able to achieve a reasonably quick turn-round of funds. In other words, if their finance is tied up in particular investments for long periods, their resources for serving an ever-widening circle of clientele will become strained to that extent. In the case of institutions which take up underwriting business or otherwise find themselves investing in shares or debentures this would mean that they should be able to shuffle and re-shuffle their portfolios periodically. This can be done profitably or even economically only if the capital market is in good shape and the investor community feels justified in looking forward to attractive opportunities of capital appreciation or reasonable return on capital in the form of dividends. Quite obviously, such conditions do not obtain at present —and this is a matter which must cause as much concern to development banking institutions such as the TIIC as to any other constituent of the capital market or the financial community. Having celebrated its silver jubilee, the TIIC may therefore well find that it has quite a hard row to hoe in the period immediately ahead—a sobering thought, indeed, for a legitimately self-congratulatory ocassion.

A leading force in industrial growth

N. MAHALINGAM

THE CELEBRATION of the silver jubilee of a term lending institution such as the Tamil Nadu Industrial Investment Corporation (TIIC) can be aptly described as marking the attainment of maturity in industrial development in Tamil Nadu. The TIIC stands out foremost among all the state financial corporations in this country in promoting new industries—large, medium and small-scale—and bringing about integrated development in such a way that the maximum benefit could be derived by the regional economy out of the fresh doses of investment. Apart from the diversified and sophisticated character of many new enterprises what is of great significance is the creation of general consciousness among the regional population about the advantages of planned industrial development and scientific harnessing of natural resources of the region.

Pioneering effort

In the early fifties Tamil Nadu was mainly known as a producer of cotton yarn and to a smaller degree textiles, small quantities of sugar, tea and a few categories of engineering products. There was no great desire then to venture out in new directions and broad-base the industrial structure. With the active policy of the state government and the Madras Industrial Investment Corporation, as it was then called, a determined bid was made to develop new industries.

In these days of astronomical outlays on different types of industries thanks to inflation and the sophisticated nature of many new enterprises, calling for heavy capital outlay, the disbursement of about Rs 55 crores in loans, guarantees and direct investment and sanctions of nearly Rs 88 crores in all forms may not look impressive if reckoned in isolation. But what is really striking is the impact of this marginal assistance on the formation and subsequent growth of many new enterprises. In order to provide scientific guidance for future planning and enable a correct understanding of how marginal and strategic doses of investment can yield marvellous results, I feel that a careful study should be made of the application of financial resources made available to various industrial units and how the activities of this corporation have been helpful in creating investment mindedness in the local population and in generating direct and indirect employment.

Tamil Nadu is now an important producer of cotton yarn and textiles, synthetic fibres, sugar, heavy chemicals, aluminium, commercial vehicles, automobile components, ceramic products, fertilisers, cement, calcium carbide and many other items. There are considerable export surpluses in many directions and it is indeed a matter for pride that Tamil Nadu is the most industrially developed state next only to Maharashtra and West Bengal. The sizeable assistance given to the textile units for modernising and rehabilitating old equipment and expanding capacity has been helpful in improving further its stature and over 25 per cent of all-India output of yarn is accounted for by spinning mills in Tamil Nadu. Similarly the four sugar mills sponsored by the corporation in the private sector have been mainly responsible for the rapid growth of this agro-based industry.

Expanding activities

With the implementation of expansion schemes by these mills and those already in the private sector, and the coming into being of a large number of cooperative factories well over 10 per cent of total production in the current season will form the share of 17 units. Besides the expanding activities of the sugar mills enabling the extension of acreage under cane, industrial alcohol based on molasses is being manufactured in large volume. This in turn has helped the production of polyvinyle chloride, pipes, compounds, components and the like by the processing units in the large and small industries.

The utilisation of mineral resources also has taken place spectacularly with the cement units developing their capability continuously. Cement asbestos products also are being turned out in increasing quantities. Again, the manufacture of paper, aluminium and ceramic products would not have been thought of but for the initiative of the corporation and the encouragement provided to new entrepreneurs.

Doubting Thomases

I remember many sceptically criticising the decisions of the state government through the corporation for investing fairly large amounts in equity shares on the score that these investments would not be worthwhile and were even a wasteful application of resources raised from the public in the form of deposits and bonds. But the aggregate investment in equity shares even on March 31, 1973 was not more than Rs 6.12 crores in respect of 47 enterprises. At particular stages the market value of these investments was considerably below book cost and the corporation experienced difficulty in meeting its obligations. It was apprehended that apart from the loss in capital value, the compulsion to meet interest charges from the income derived from other sources would have had a debilitating and distorting effect. Subsequent developments, however, have clearly demonstrated that the state government derived considerable benefit out of this investment in the form of revenues through sales tax, state excise duties and the like.

In recent years, there has actually been sizeable income in the shape of dividends on equity and preference shares as the market value of investments is now considerably in excess of the book value. The quantum of appreciation in the aggregate may not be very sizeable if no attempt is made to segregate earlier investments in equities from those in equity capital of new concerns. With the new approach latterly adopted to encourage small-scale enterprises and give assistance to technocrats and promote also new medium sized industries on a package basis in notified industrially backward areas as Ranipet and North Arcot district, Hosur in Dharampuri district and several places in Ramanathapuram district, the distortions will become magnified. This is because preferential treatment is accorded when extending assistance to the small entrepreneur and special facilities also granted to new large-scale units in notified backward areas.

Liquifying investment

In view of the need to achieve a greater velocity of available resources and bring about a larger turnover with available resources, I feel it will be desirable to liquify gradually investments in equities and preference shares of good dividend paying companies by effecting sales in the open market on some pre-determined basis as is being done by the Industrial Credit and Investment Corporation. There have also been negotiated sales of blocks of shares at a profit to the promoters of the industrial units concerned or others. In view, however, of the negotiated deals completed by the Unit Trust of India and other agencies and feasibility of effecting sales in the open market, it will be worthwhile to examine whether a larger dispersal of ownership of shareholdings can be achieved in this process and the needs of small investors satisfied directly. In effect, this will amount to the state

and financial corporations developing new enterprises with the provision of strategic doses of investment in different forms and releasing investments even totally after the concerned industrial units have reached a profit earning stage and market values have appreciated significantly.

There may be exceptions to this rule where the state governments and the financial corporations desire to maintain a specific proportion of holdings of equities in the public interest. What is necessary to bear in mind is the fact that there is really no great need for clinging on to earlier profitable investments in equity capital if the activities of industries can be actively regulated through other means and it is also found that the holdings of other agencies also are sizeable and public ownership through publicly owned corporations in newly formed and old industrial enterprises is significantly large.

The process of shedding old investments on a planned and profitable basis will actually be helpful to the term-lending institutions for increasing their interest in industrial units in the private sector as the realisation of sizeable profits will result in the availability, in a larger volume, of resources and will facilitate the extension of even more active and bigger assistance to new applicants.

It is therefore necessary to have a proper perspective when attempting an analysis of the achievements of vibrant state financial corporations such as the TIIC. While scientific and penetrating studies of past achievements will be helpful in assessing properly their significance and formulating new policies for future development, I have no hesitation in saying that the most gratifying feature of the operations of the TIIC is the catalytic effect of its investment of about Rs 55 crores in 25 years on the industrial development of the region which could not have been visualised by the sponsors in the early years of this corporation. What is more important is the emergence of a new class of entrepreneurs who have been responsible for the remarkable progress in many directions.

The policy of continuing encouragement to large-scale units will certainly pay rich dividends. The development of small industries too will be useful in promoting feeder industries and in developing a new class of small entrepreneurs. It will result in the creation of a class of professional managers as well as technocrats who will have a large stake in their enterprises. Above all, the new bid to develop the joint sector with the help of the existing entrepreneurs and to encourage the formation of new industries in notified industrially backward areas in the private sector or on a joint basis has resulted in giving a big push to economic development in new directions. A solid industrial base has been built over the years and with well-developed infrastructure facilities, capable technical talent, entrepreneurial and imaginative and enlightened financial assistance from the numerous official agencies owned by the state and central governments, I have no doubt that even more ambitious progress can be recorded in the industrial sector in many directions.

There is no dearth of schemes or entrepreneurial or technical talent in Tamil Nadu. But the challenges posed by ambitious programmes for new development and the unexpected strains placed on infrastructure facilities as a result of increasing demands and rapid progress have to be met and overcome. With balanced and pragmatic approach to outstanding issues and unstinted and timely financial assistance for worthy projects of every type it should be possible to secure a rate of progress in the next 25 years which will be several times the achievements of the first two and a half decades.

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"Our MIIC"—striking a personal note

S. NARAYANASWAMY

TWENTYFIVE years of purposeful effort to help economic development through industrialization has made of the Tamil Nadu Industrial Investment Corporation, a robust adult among state development banks in India. We used to refer to the institution affectionately as "our MIIC"—with a homely possessiveness that bespoke the great wavelengths of understanding between the long-term-loan availer and the institution that made the facility available. That it was started as a public joint stock company while discharging all the authentic functions of a development financier showed that the founding fathers wanted for it the freedom to function as an institution run on commercial lines as it helped the growth and development of the state. I am glad that the TIIC has continued to remain a company while functionally it operates in line with sister SFCs in other states and accepts the disciplinary jurisdiction of the IDBI as the father-financier, guide, philosopher and friend.

Emotional qualities

I cannot forget the part played by that pragmatist among our economic elder statesmen, late Dr R. K. Shanmukham Chetty, in giving shape and form to MIIC's early term-lending policies. He brought the nearly unerring business insight and the robust long-term view that the Coimbatore business magnates bring to their assessments and business decisions. Dr R.K.S. combined what we call native acumen with a rare knowledge of the wider world of public finance, international monetary affairs and a masterly knowledge of Indo-UK financial relations. We often forget what emotional qualities go into the build-up of economic imaginativeness. It was a period of rewarding endeavour for a person who had relinquished a much larger sphere of economic leadership which he had operated with conspicuous competence. The foundations so well and truly laid sustain an edifice of handsome shape and size today and of down-to-earth usefulness to the state.

Peering into future

Long-term financing requires undoubtedly the banker's competence to assess future economic trends and personal equations. Only the capacity to peer into a larger future has to be additionally built in. It is easy to pick holes and point to odd errors of judgement in long-term loans given. In the background of human fallibility, it is not always possible to make assessments of personal creditworthiness, economic viability or an individual's estimated capacity to deliver the goods; nor are these the sole factors. You have to remember that the state's developmental needs and challenges are to be taken into account.

It is very difficult to train personnel for development banks though banking background spares perhaps half of the struggle. The entrepreneur who comes with a proposal or a project is obsessed by his own needs of term-loan assistance. In the context of a demoralized or stagnating capital market, he tends to keep a low capital base; he sometimes offers preference shares and asks for a large-sized term-loan. In the process, an obliging project accountant prepares a cash-flow sheet and a five-year financial projection that indicates a high capacity to amortize the loan without let or hinderance. The debt-equity ratios make the institution official lift his brows. It is the job of the project appraiser to go through these statements with a tooth-comb, to find out what the actual feasibility is like—where probabilities end and wishful thinking starts.

The promoter of an industry can succeed only if he has the zeal and the optimism that can put horse-power into his job. With these precious qualities he needs to combine grit, capacity to overcome obstacles, many of which are unpredictable. He must have the resourcefulness to deal with new statutes, shortages and infrastructure deficiencies. The appraising officer has to make sure that the promoter is the type of person, whose first and last asset is not his mere enthusiasm but other precious human qualities that help him to push on with the construction and commissioning of the unit.

Shrewd banker

A development banker is both born and made—he has to have the primary qualities of shrewdness, velocity in thinking and capacity to absorb and assimilate information—and on top of these, exercise controls and to apply the tests prescribed remorselessly. He has to be a combination of academic attainments and qualities which only the University of Hard Knocks can build into him. He has to dole out public money to promoters of whose credentials he has limited information. We have either an excess of the conservative type that vetoes most proposals on the ground of over-optimistic projections or the adventurous type that believes extremes of risk are worth taking, because the unexpected person sometimes turns out successful in industry. Half the battle in the term-lending bodies is the human material which scrutinizes projects and carries on the relentless search after truth. It is a tough but rewarding task.

Big achievement

The TIIC has been lucky with its personnel. Its figures of frozen loans and defaults in instalments are modest—considering the scale of its operations over the years and the number of entrepreneurs it has built up into proved industrialists of today. This is its biggest achievement. In India's pyramid of term-lending institutions such as the IFC, the ICICI and the IDBI acting as the centre poles in the circustent and the state financing bodies as the rope-holding pegs—no promoter worth his salt can complain he has nowhere to turn for the money he needs.

India may or may not have given a lead in industrial build-up among under-developed countries, but in terms of long-term finance provided through institutions, it has given a robust lead to many other countries. Indeed our development bankers have been in demand and have been operating in distant countries on deputation—not to mention the significant number working in the World Bank, the IMF, and the IFC of Washington.

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Role of investment in industrialisation

DR MALCOLM S. ADISESHIAH

E INDEX of industrial pro-ction for 1973 recorded an erage of 199.5 as compared the 1972 average of 199.3. his 0.2 per cent difference bet-een the two years meant that 1973 there was no industrial rowth. While 1972 recorded growth of 7.1 per cent, for ne fourth Plan period as a hole, the annual industrial rowth was 4.1 per cent against ne targeted 8-10 per cent. In amil Nadu, the decline in roduction of cement, textiles, dible oils, engineering goods, luminium and tea was usually raced to the power cut, the hort supply of coal and oil nergy and industrial unrest. n 1973, the 75 per cent power ut reduced cement production n the state to the point where ts surplus status disappeared nd production being inade-quate to meet the state's needs, ts distribution was licensed nd regulated. The produc-ion in the seven cement fac-tories came to a near halt this year as till February less than half their monthly coal needs of 84,900 tonnes were trans-ported by the railways and after February, even this sup-ply dried up. The May railway strike simply added to their losses.

Power constraint

The textile industry in the state, as a result of the power cut, was able to work only up to 20 per cent capacity in 1973 and its loss for the year was computed at Rs 52 crores. The shortage in edible oils in the state was traced to the declining crop in the western region over the last four years. The power cut last year led to reduction in production in several industries in the state—motor vehicles Rs 27 crores, machinery Rs 20 crores, sugar Rs 12 crores, electrical machinery Rs 13 crores, tanneries Rs 10 crores and similar heavy production cut-backs in industrial estates and in tea plantations.

The hopes of better industrial performance in 1974 are highlighted by reference to the statistics on industrial licences and letters of intent. Reference is made to the sharp rise in industrial licences which were 221 in 1969, 363 in 1970, 626 in 1971 and 596 each in 1972 and 1973. So too the letters of intent increased from 331 in 1969 to 438 in 1970, to 1015 in 1971, to 877 in 1972 and to 889 in 1973. This increase was in part due to simplification and rationalisation of procedures announced in October 1973 which set up the Project Approval Board (PAB) and the Secretariat for Industrial Approvals (SIA).

Secular trend

The major reason for the declining secular trend in industrial growth during the fourth Plan period must be sought in long-term forces. The fourth Plan record of Industrial growth was 6.8 per cent in 1969-70, 3.3 per cent in 1970-71, 4.5 per cent in 1971-72, 5.0 per cent in 1972-73 and 0.1 per cent in 1973-74. The long-term factor which had been operating to produce this declining secular trend was falling or stagnant industrial investment notwithstanding the impressive record of credit extended by the IDBI, the IFCI ICICI and the scheduled banks. For instance, the TIIC reported that on March 31, 1974, it had sanctioned gross assistance to industries in Tamil Nadu of Rs 87.79 crores, with Rs 54.92 crores disbursed and Rs 31.16 crores outstanding. In a subsequent communication, the corporation reported that as on June 30, 1974 its cumulative gross financial assistance sanctioned was Rs 93 crores to 710 concerns, with disbursals at Rs 57 crores and outstandings at Rs 33 crores. This was a good record for the state corporation.

The real test of the investment trend in the private sector lies in earnings retained and ploughed back as capital. The Reserve Bank studies in this matter are revealing. The profits after tax of 1,211 small private companies (Rs 1 to 5 lakhs) fell from 2 per cent of net worth in 1969-70 to 0.9 per cent in 1970-71, and that of 350 large public limited companies (Rs one crore and above) declined from 3.4 per cent in 1970-71 to 5.6 per cent in 1971-72. The study of 701 selected private limited companies showed a fall in profits after tax as percentage of net worth from 9.5 in 1965-66 to 6.2 in 1968-69 and to 7.3 in 1969-70. The study of 1,501 public limited companies showed a range from 8.9 to 10.1 per cent. The study of 1,001 medium and large private limited companies showed a decline of profits after tax as percentage of net worth from 6.9 in 1970-71 to 6.8 in 1971-72, while in the case of 350 large public limited companies the decline was from 12.2 per cent in 1970-71 to 11 per cent in 1971-72 and to 9.7 per cent in 1972-73. What these detailed studies showed was that over the fourth Plan period as a whole, retained earnings in the private and public limited companies declined by around 40 per cent.

Private sector

A similar declining trend was noticed in regard to the capital raised by the private corporate sector. In 1970, the capital issues amounted to Rs 66.4 crores, which fell sharply to Rs 43.37 crores in 1971, rose to Rs 92.86 crores in 1972 and again declined to Rs 70 crores in 1973. In 1972, when there was an increase, it was entirely through prospectus issues for that year. Rights issues for the year declined by Rs 1.4 crores. In the light of the rise in prices which took place over the fourth Plan period from 175.7 in April 1969 to 283.8 in March 1974 (index number 1961-62=100) the conclusion to be derived is that in real terms, investment in the private sector during the Plan period was nil or almost nil.

The stagnation of investment in the public sector during the fourth Plan period was even more glaring. Here again, the two studies of the growth and working of selected central and state government companies by the Reserve Bank recorded the facts. The first study reported that the 12 giant companies of the central government had a *minus* record on retained profits (—Rs 25.54 crores) in 1969-70 and also (—Rs 24.4 crores) in 1970-71, and the 93 others central government companies also had minus records (—Rs 10.87 crores and —Rs 72.67 crores) in these two years. In the second study, 64 central government companies were reported to have an increased negative retention figure at Rs 34.98 crores in 1970-71 and Rs 43.87 crores in 1971-72, and similarly the state government companies recorded negative Rs 10.95 crores and negative Rs. 6.6 crores for the same two years.

Investment goods

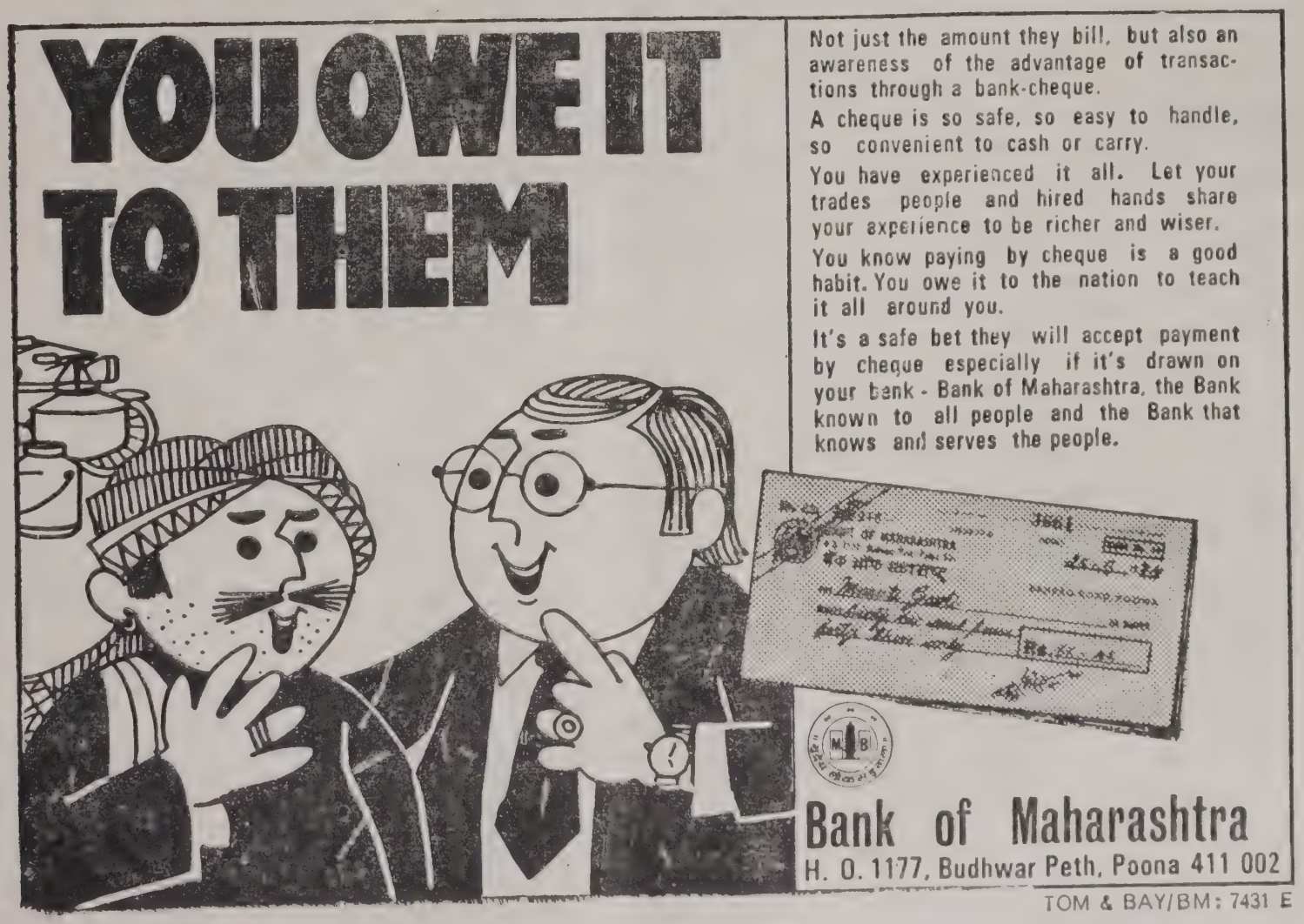
An examination of the statistical tables in these studies showed decline in key investment goods such as steel, chemicals, aluminium, mining and shortfalls in copper, lead and zinc. The public sector units were the major suppliers of machinery and equipment to the private sector so that stagnation or decline in the former had a multiplier effect on private sector investment. In this sense, public sector investment was a major determinant of the investment trend in the country. Thirty per cent of GNP at current prices, amounting to Rs 14,000 crores, constituted the total budgetary resources of the central and state governments. Seventy per cent of the domestic savings of the country were appropriated by the central and state governments amounting to Rs 3,500 crores every year. But the central government's development expenditure as a percent-

of its total expenditure steadily declined in the th Plan period. Further, revised estimate of capital mation in its total expendi- for 1973-74 was estimated 3 per cent compared to 48 cent at the end of the third n period. Economy in ex- diture by Rs 400 crores in 3-74 was achieved by cut- back on Plan expenditures n Rs 4,364 crores to Rs 00 crores. Thus the anti- wth force which was in ope- ion was the continuous in- se in non-Plan, non-deve- ment consumption expendi- e.

For a revival in industrial duction, there must be an rease in investment in the jor capital and intermediate ds sectors to which an in- ased rate of investment in public sector is the key. It estimated that agriculture, wer, steel, fertilisers and nsport need an additional 400 crores over what is vided in the annual Plan for the first year of the fifth Plan period. This can be found not by cutting back on Plan expenditures in the social service sector as is being done, but by cutting back on non-development expenditure in both the centre and the states by not more than 3-5 per cent of such expenditure. Another short-term investment programme is to attract private investment and private sector activities into industries where serious shortage are faced, such as cement, paper, fertilisers, and even transport and power.

In Tamil Nadu and Uttar Pradesh, for instance, a consortium of private sector firms has proposed setting up thermal plants to generate over 1,000 MW power in the two states. This initiative should be speedily approved. But both the spectacular increase in industrial licences noted earlier and the play of unaccounted money which is modestly estimated at around Rs 10,000 crores are channelling such private sector investment, as there is, and a good deal of private corporate production, in the production of non-essentials. Parallel to the incentives offered by the government, TIIC and other financial corporations for the eastablishment of industries in the backward areas, there is need to offer incentives and inducements to the private sector to invest in the areas of serious shortages of essential goods. Further, the states can increase their investment resources through improved operations of departmental undertakings and state-run enterprises.

For all the states, the accounts of industries run by them showed for 1970-71 an excess of working expenses plus interest charges over receipts of Rs 2.58 crores; for 1971-72 Rs 1.09 crores and for 1972-73 Rs 1.51 crores. This continuing deficit must be corrected because for some of them such as Tamil Nadu, tax receipts, except for taxation of agriculture, have reached their ceiling Tamil Nadu mobilises the largest resources of all states including the wealthier ones like Maharashtra and larger ones like UP, in state excise (Rs 35.49 crores), stamps and registration (Rs 19.54 crores), motor vehicles tax (Rs 19.53 crores) and is second to Maharashtra in sales tax (Rs 104.9 crores). It is only in land revenue that it lags (Rs 3.66 crores). The time has now come to call a halt to continuous increases in non-development expenditures and in non-industrial, non-agricultural development expenditures, mobilisation of resources from the agricultural sector and make the state industries earn and retain their profits for increased industrial investment. Above all, there is need for a long-term, industrial development perspective. Here, the draft fifth Plan's section on industrial growth can be taken as the perspective for the fifth and the sixth Plans.



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Financing the corporate sector

E. R. KRISHNAMURTI

is gratifying to note that the mil Nadu Industrial Invest-nt Corporation (TIIC) has mpleted 25 years of useful vice in the establishment d development of industries Tamil Nadu. In the history an institution, its silver jubi- marks an important mile-ne and the Tamil Nadu lustrial Investment Corpo-ion can justifiably take pride celebrating the event, be-se of the very useful work ne by it since its inception.

The credit for establishing s financial institution should to the government of Tamil du, which felt the need and essity for affording financial petus to industrial entre-neurs for embarking on new ojects. With the expert vice and timely assistance ven by the corporation, the tire industrial map of south dia has changed, presenting robust picture of the develop-nt potential in Tamil Nadu. rtunately for everyone con-rned, the TIIC had from the ginning men of vision with rsighted pragmatism at the lm of affairs. This conti-ues even today and this is the ain reason for the phenome-al success of this institution.

Wheels of industry

The financial assistance ven sets the wheels of indus-y moving, increases employ-ent opportunities, promotes roduction of additional goods d services, and improves e standard of living of the ople. When industries pros-r, revenue accrues to the ate and central governments, way of taxes, duties, etc.

The rapid industrial deve-pment of India since indepen-nce is reflected in the floata-on of a large number of giant mpanies and substantial pansion of existing compa-es. The total paid-up capital companies at work in India oth government and non-overnment companies) was about Rs 770 crores at the end of March 1951. This increased to nearly Rs, 5,422 crores as on 30th September, 1973. representing an increase of 600 per cent from 1951 to 1973. It covers 412 government companies with a paid-up capital of Rs 3,041 crores, 6,827 public companies with a paid-up capital of Rs 1,858 crores and 29,258 private limited companies with a paid-up capital of Rs 522.6 crores. Table 1 shows the growth of the corporate sector during 1960-73.

In this success story, TIIC has played an effective and prominent role. The above figures amply reflect the industrial development of the country after independence. Stock exchanges have played an important part in the mobilisation of resources for the industrial development. Prior to the formation of special financial institutions, the functions of the underwriters were being discharged mostly by stock brokers and members of the stock exchanges. The underwriting activity of the stock brokers is to a large extent dependent on a healthy capital market and in periods of depression, they naturally restrict their underwriting obligations. The setting up of special financial institutions, such as the Industrial Finance Corporation, Industrial Credit and Investment Corporation of India and state financial corporations and the participation of the Life Insurance Corporation of India and the Unit Trust of India has to a large extent facilitated the entrepreneur in getting the public issues fully underwitten guaranteeing the availability of resources to the project irrespective of the state of the capital market. The specially-formed state financial institutions also play an important part in the floatation of new companies in their regions. Today, therefore, we have developed a fairly well-knit organisation made up of special financial institutions and stock brokers for underwriting new issues. It is estimated that the financial institutions underwrite two-thirds of the total amount of public issues underwritten. Table II (page x) shows the pattern of underwriting by the various Institutions and brokers.

But, different financial institutions have their own norms for processing applications including the preparation of viability reports. Though sometimes joint meetings of the institutional underwriters are held to discuss the projects, the smaller units have been scared away from these institutions because of the lengthy and cumbersome procedure of project evaluation. The percentage of assistance received by smaller undertakings is also considerably lower. It is therefore necessary for the financial institutions to standardise the guidelines for providing underwriting facility for the benefit of the entrepreneurs.

Another area in which the institutional underwriters can render better service is in the resale of the securities allotted to them among the investing public. The broker-underwriters take all possible steps to bring the issue to the notice of the investing public and to ensure that the amount underwritten by them is subscribed to by the public. In striking contrast, the institutional underwriters merely send in their applications for the total number of shares underwritten

TABLE I

Joint Stock Companies at Work

Year	Govt. Cos.		Non-government			
			Public		Private	
	No.	Paid-up capital (Rs in crores)	No.	Paid-up capital (Rs in crores)	No.	Paid-up capital (Rs in crores)
1960-61	142	547	6,663	915	19,344	356
1965-66	212	1,238	6,329	1,407	20,137	400
31-3-69	259	1,715	6,454	1,712	21,260	433
31-3-70	282	1,790	6,436	1,741	22,242	447
31-3-71	314	2,064	6,443	1,775	23,655	462
31-3-72	352	2,369	6,571	1,800	25,640	484
31-3-73	390	2,998	6,715	1,840	27,768	507
30-9-73	412	3,041	6,857	1,858	29,258	523

Source : RBI and Annual Report 1973-74, Ministry of Law, Justice & Company Affairs, Government of India.

and receive their underwriting commission. This results in the institutional underwriters locking up a sizeable portion of their funds in new issues over long periods, which restricts flow of funds to other new projects.

It is therefore advisable especially for state financial institutions to periodically dispose of their holdings in the market to provide funds for fresh issues. Such a procedure will increase the velocity of circulation of the investible funds from one company to another, making it possible for more companies to derive the benefit of assistance from the financial institutions. It should be the endeavour of all financial institutions to achieve the maximum circulation of funds.

Yet another criticism levelled against financial institutions is that their activities have resulted in a shortage of scrips in the market and that they do not engage themselves in the share market operations, which results in their holdings being blocked irrespective of the market price. The institutions try to counter this criticism by maintaining that they are long-term investors and are not interested in short term operations or variations in prices, While this argument may to a certain extent hold water in the case of large institutions such as the Life Insurance Corporation with large accrual of investible funds everyday, state financial corporations should endeavour to take advantage of favourable market trends and encash their shareholding periodically, so that the sale proceeds could be utilised for further assistance to new industries.

State financial institutions though functioning on the lines of all-India institutions such as the IFC, the ICICI and the IDBI, rightly direct their activities to the industries set up within their states by granting loans, participating in the capital and also underwriting public issues. According to the Reserve Bank of India, the total assets of the fifteen state financial corporations in

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TABLE II

Capital Issues through Prospectus—Details of Underwriting of Equity Shares.

(Rs in crores)

Name of Institutions	1969	1970	1971	1972
	Rs	Rs	Rs	Rs
LIC	0.76	1.67	0.90	1.64
IFC	0.46	0.54	0.83	1.95
ICICI	0.96	2.26	0.82	2.00
SFCs	0.14	0.03	0.12	0.20
UTI	0.17	1.16	0.73	1.40
IDBI	0.83	1.73	1.09	9.60
Banks	0.33	1.22	0.42	1.57
Brokers	0.77	4.88	5.12	10.02
Others	0.93	1.44	1.31	2.60
Total Amount Underwritten	5.35	14.93	11.34	30.98

Source : Reserve Bank of India

1960-61 were Rs 29.80 crores. The corresponding assets figure for 18 state financial corporations as on December 31, 1973 was Rs 215.46 crores representing an increase of 600 per cent over that period. The loan amounts disbursed by the TIIC during the period 1949 to 1969 was Rs 20.80 crores, whereas the figure for the year ended March 31, 1974 itself was Rs 3.43 crores. Similar substantial increases had been witnessed in the loan guarantees, underwriting assistance, etc. of the TIIC. A comparative study of the total assistance granted by all the state financial institutions in India revealed the prominent role of TIIC and its increasing activities with a higher percentage of growth all round.

The government of Tamil Nadu had been taking a keen interest in the industrialisation of the state and had set up the State Industries Promotion Corporation of Tamil Nadu Ltd. (SIPCOT) and Tamilnadu Industrial Development Corporation Ltd. (TIDCO). SIPCOT and TIDCO have been responsible for setting up a large number of industries in the joint sector including a giant fertiliser factory involving a capital outlay of Rs 83.24 crores. The development of industrial estates in backward areas with facilities for a lower interest rate, longer repayment periods, liberal sales tax loan, etc. are all steps in the right direction which have been responsible for the development of many industries in Ranipet, Tuticorin, Dharmapuri and Hosur.

The stock exchange provides the market place for trading in securities and mobilises the savings of the community for investment in industrial securities. This helps in the promotion of companies. A healthy capital market and active conditions on the stock exchange are essential prerequisites for rapid industrialisation. Therefore, the Madras Stock Exchange and the TIIC have complementary roles to play in making Tamil Nadu a well developed industrial state.

The TIIC should aim at a resource target of Rs 100 crores, comprising paid-up capital and bond issues to ensure speedier industrialisation of Tamil Nadu. With its past performance and with the active interest evinced by the state government in industrialisation, I am sure it will not be difficult for TIIC to achieve this target ere long.

TRADE WINDS

Indo-Iranian Trade Agreement

INDO-IRANIAN trade understanding reached in Teheran on August 31, is likely to result in exports worth nearly $ 500 million from this country over the next three years. Iran has also agreed in principle to give $300 million to $400 million untied credit. These are the highlights of the negotiations concluded at Teheran by the union minister of Commerce, Mr D. P. Chattopadhyaya. It is expected that formal agreements will be signed when the Shah of Iran comes here in October. Contracts have already been finalised for the export of Rs 450 crores worth of goods, notably cement, sugar rails and basmati rice. The prices have in some cases been finalised for the immediate future, but in many cases will have to be negotiated later since the export programme is spread over three years. There are also good prospects for exporting army software such as clothing and leatherware. Considerable progress has been made regarding the sale of power equipment, since Iran has launched a very ambitious power generation plan.

A significant feature of the trade agreement is that Iran will pay 25 per cent of the value of contracts in cash the moment the letter of credit for a consignment is opened. This prepayment amounts in effect to a short-term credit, for most buyers pay for their purchases well after shipment. The agreement will greatly help in the import of crude from Iran. The idea of a joint shipping company has also been approved. A new company is to be floated with the two countries subscribing to the equity capital on either a 50-50 or 60-40 basis. The initial capital of the company may be $150 million.

Advances to Cooperatives

The Reserve Bank has made a major shift in its policy by placing the cooperatives on par with others with respect to interest rates on bank advances. RBI has effected a three percentage point rise to 15 per cent in the minimum interest rate on advances against cotton and kapas granted by all state and central cooperative banks to cooperative cotton spinning mills from August 10. This rise is rather sharp considering the increase in lending rates for the joint stook sector of the cotton textile industry after the rise in Bank Rate last month. The Reserve Bank has, however, made a concession to the cooperative sector by allowing it to pay a higher interest of 5.5 per cent on saving deposit.

In effecting this sharp increase in lending rates, the Reserve Bank's view is that there should be no concessional finance to cooperatives except those extending production finance to agriculture. This means that cooperative processing and marketing will not be entitled to any special treatment.

Working of Public Sector Undertakings

Public sector industries in the country have recorded an increase in their profitability in 1973-74 with a total net profit of Rs 66 crores as against Rs 19.8 crores in the previous year. Mr P. J. Fernandes, Director General, Bureau of Public Enterprises revealed recently that out of 120 public sector companies coming under its purview 81 had made profits and the remaining 39 had incurred losses. The pre-tax profit made by these companies amounted to Rs 137 crores in 1973-74 as against Rs 84 crores in 1972-73. The public sector companies in the country have contributed a total of Rs 70 crores by way of income tax in 1973-74, he added. The total investment in the public sector industries is around Rs 5,750 crores.

Mr Fernandes pointed out that the biggest profit making company among the public sector undertakings was the Minerals and Metals Trading Corporation (MMTC). He added that the Hindustan Steel Limited which had been making losses for years together had turned the corner and was likely to make a "moderate" profit in 1973-74. Giving sector-wise pre-tax profits and losses, Mr Fernandes pointed out that petroleum concerns such as IOC and ONGC had made a profit of Rs 63 crores, while trading and marketing companies such as MMTC made a profit of Rs 53.8 crores. Other profit making sectors were light and medium engineering Rs 15.38 crores, heavy engineering Rs 15.1 crores, transportation equipments Rs 6.95 crores, consumer goods such as Nepa Mills Rs 3.5 crores, sea transportation such asShipping Corporation of India Rs 14.3 crores, and chemical and fertilisers Rs 2.7 crores. Mines and metals sector incurred the largest loss of Rs 30 crores during the year. Other sectors which incurred losses were: steel Rs 5.9 crores, agro-based industries Rs 2.61 crores and air transportation such as Indian Airlines and Air India Rs 5.7 crores.

The overall return on capital investment in public sector industries had gone up from 5.1 per cent last year to 5.7 per cent this year. The public sector aimed at achieving a 10 per cent return on capital investment by the end of the fifth Plan. Mr Fernandes admitted that under-utilisation of capacities by steel plants were one of the reasons for their incurring losses. He pointed



out that the utilisation of capacity in Durgapur, which he described as the "problem child" was only about 48 per cent while it had been considerably good in Bhilai at 83 per cent and Rourkela at about 70 per cent.

State Loans Subscribed

All the sixteen state government loans, which were opened for subscription on August 27 were closed after being fully subscribed, according to a Reserve Bank of India announcement. The seven states whose loans were closed on August 28 were : Andhra Pradesh, Assam, Bihar, Haryana, Kerala, Orissa and Rajasthan. Subscriptions to nine state government loans aggregating Rs 118.50 crores out of a total of Rs 205.25 crores were closed on the opening day, August 27.

Over Rs 11,000 Crores Deposits

Independence Day or thereabouts had a cheerful tale to tell to the public. As of August 16 this year the deposits of commercial banks had crossed the Rs 11,000-crore mark. Earlier, on January 4, they had stepped over the Rs 10,000-crore mark. Between these two dates the deposits had increased from Rs 10,037.73 crores to Rs 11,002 crores. Over the past seven months, however, the rate of increase in deposits had slowed down as compared with the advance in the previous two years. During the slack season so far (from the end of April last) bank deposits have expanded by Rs 663 crores including a rise of Rs 59 crores during the week-ended August 16. This compares with a rise of Rs 681 crores during the same period last year.

The total bank credit has been held virtually unchanged at an aggregate of Rs 7,801 crores. Bank credit expanded during the current slack season by Rs 293 crores against a rise of only Rs 54 crores in the same period during the previous slack season. The credit-deposit ratio as on August 16 stood at 70.9 per cent against 72.6 per cent at the start of the busy season. Credit expansion is taking place currently at 45 per cent of deposit growth and it is expected that by the end of the current slack season, as a combined result of higher interest rates on bank deposits and an increase in the Bank Rate and the lending rates of commercial banks, credit would have expanded at only a third of the accretion to deposits during the season, as required by the Reserve Bank's slack season credit policy.

Rise in Per Capita Income

The real per capita income in India revealed an increase of about 31 per cent, between 1951 and 1971. It increased from Rs 240 in 1951 to Rs 327 in 1971 in terms of 1948-49 prices, according to a study made by the Economic and Scientific Research Foundation. The study on "Change in per capita income and the per capita availability of essential commodities since 1931" has stated that the aggregate national income during the two decades nearly doubled, registering an annual growth rate of 3.5 per cent.

On availability of essential goods, the study shows that between 1951 and 1971, consumption of most food items improved appreciably, however, pulses and milk showed a decline. The annual per capita consumption of cereals improved from 125 to 149 kg and sugar and gur from 16.3 to 19.3 kg. The per capita availability of meat, fish and eggs together increased by 1.4 kg over the 20-year period. In its projection of the demand for the future, the study points out that India's need for foodgrains will be of the order of 120 million tonnes in 1980-81, 150 million tonnes in 1990-91 and 180 million tonnes in 2,000-2,001.

Indo-Romanian Cooperation

A programme of cooperation in several important sectors of the oil industry and shipping, is expected to be worked out at the first meeting of the joint commission for economic, scientific and technical cooperation between India and Romania in September. The meeting is scheduled to take place in Bucharest. Among the fields which are under examination for collaboration are oil prospecting and exploitation including secondary recovery, production of fertiliser and pesticides and the setting up of a catalytic cracking unit at Mathura.

US Trade Deficit

The US balance of trade has deteriorated during the month of July, the Commerce Department revealed recently. The United States has recorded a deficit of $ 982.7 million for the first seven months of this year and the deficit during the month of July alone was $ 728.4 million, slightly less than the $ 776.9 million recorded in May. These figures exhibit the dent that has been made on the US economy by the high cost of imported oil. In terms of prices, the increase in consumption of imported oil added $ 310 million to the total import bill in July. For the first seven months the imports have been around 38 per cent above the corresponding period of 1973.

Expansion of Woollen Units

The government has decided to allow expansion and modernisation of units in the woollen industry which export more than 10 per cent of their production, Mr D. P. Chattopadhyaya, Commerce minister, stated recently. The government also proposed to process the case of modernisation of hosiery units in accordance with the report of a committee appointed for this purpose. Mr Chattopadhyaya was inaugurating a seminar on the problems of woollen exports. Noting the "creditable" export performance over a decade (exports increased from Rs 14.6 crores to Rs 52 crores in 1973-74), Mr Chattopadhyaya stated that woollen hosiery, knitwear and carpets had made substantial contributions. He called upon the Wool and Woollen Exports Promotion Council to diversify exports and devise ways and means of increasing exports to the relatively large and affluent markets of Europe and America.

Production of Industrial Valves

In the past, industrial valves have been treated as outside the purview of the First Schedule to the Industries (Development and Regulation) Act, 1951. The government has, however, considered this matter again and has decided that industrial valve being a type of regulating device for controlling flow of liquids and gases would be covered by the description given under S. No. 15(2) of the First Schedule to the I (D &R) Act, 1951 which includes *inter-alia* "regulating devices for pressure, rate of flow, levels and the like". Consequently, industrial undertakings which have been established or for the establishment of which 'effective steps' have been taken before the issue of this press note on August 26, 1974, shall have to obtain 'carrying on business' licences in terms of provisions of Section 13(1)(c) of the Industries (Development and Regulation) Act, 1951. Applications for this purpose should be made in form 'EE'. The application complete in all respects should be submitted to the Secretariat for Industrial Approvals, ministry of Industrial Development, Udyog Bhavan, New Delhi, before October 31, 1974. In future, manfacturing capacity in respect of this industry will have to be set up in accordance with the provisions of the I(D &R) Act, 1951. It may also be clarified that industrial undertakings coming within the purview of exemption notification dated February 16, 1973 would continue to be exempted and they need not apply for 'COB' licences.

Supply of Cotton

The Committee of the Indian Cotton Mills' Federation at their meeting held recently expressed great concern at the cotton supply and price position. The last estimate made by the Cotton Advisory Board about the carry-over

the end of August 1974 was
4 million bales. This is an
armingly low figure as it
nstitutes just about 20 per
nt of consumption. There
therefore no question of the
rry-over providing any cu-
ion so far as the next year's
pply-demand position, is
ncerned. If therefore the
nsumption of 1974-75 is
ken as 6.8 to 7 million bales
d exports and extra factory
nsumptions at 350,000
les, the cotton crop should
7.2 to 7.4 million bales.
he committee considered
at it was too early to make
y estimate of the next year's
op. The Federation there-
re urged the government
r arranging imports expedi-
usly so that the country is
t caught napping.

Plastic Windows

A new rubber and plastic
afety window material deve-
ped by Goodyear USA re-
earch scientists, is designed
repel bricks and stone.

A New Watch

A new watch, manufactur-
d with Swiss technical colla-
oration, has been put on the
narket by Sondhi Tressa Time
ndustries (Private) Ltd. The
vatch having "Sundrek" brand
ame will be available at Rs
40 to Rs 145. The govern-
ment has approved the manu-
acture of 360,000 watches
nnually spread over a period
f five years, involving a total
utlay of about Rs 5 crores.
he foreign exchange compo-
ent will be nearly Rs 1.8
rores. The company is likely
o enter the capital market
ome time next year, with a
ublic issue of Rs 2 crores.
roduction has already com-
menced and during the four
months ending December,
bout 20,000 watches are to
e manufactured both for
adies and gents. In 1975,
ver 140,000 watches are ex-
ected to be produced and the
utput will be gradually step-
ed up to touch 360,000 in
1979. The company foresaw
no difficulties in selling the
ntire production because of
he huge gap between demand
and supply. The foreign col-
aborator—Tressa Watches
Co. Ltd, Geneva—will be paid
Rs 26 lakhs as technical know-
how fee, apart from a royalty
of two per cent over a period
of five years.

Future of Gold

The 20-man Executive Board of the International Monetary Fund (IMF) propose to meet shortly to discuss the future role of gold in the world financial system. The controversial question of gold has been raised again in a paper prepared by the staff of the IMF. One of its basic recommendations is that the agency be allowed to sell some of its "monetary gold"—owned by IMF members which cannot be sold in the open market. This monetary gold is valued at $ 42.22 an ounce, although the metal now sells around $ 150 an ounce in the open market. The profits from the sale of this gold would be used to buy World Banks bonds. By doing that the IMF would be aiding its sister agency by providing the much-needed funds which could be used to help developing countries.

Vehicles for Uganda

The Tata Engineering and Locomotive Co. Ltd. (TELCO) has won a large export order from Uganda for the supply of commercial vehicles valued at nearly Rs 9 crores. The order, secured in the face of stiff competition from international manufacturers, covers 1,000 trucks and 60 buses. The payment would be made by Uganda in pound sterling. The contract for the export of these vehicles was signed in Kampala recently. TELCO has already supplied 197 vehicles to Ugonda.

IFC Issue

The Industrial Finance Corporation of India (IFC) proposes to issue 10-year cash-cnm-conversion bonds of Rs 10 crores during September at 99 per cent carrying interest at the rate of six per cent per annum, the Finance minister, Mr. Y. B. Chavan told the Lok Sabha recently,

Restriction on Paper Use

The ministry of Works and Housing has imposed restrictions on the use of paper and stationery in government offices due to acute shortage. A 40 per cent cut has been imposed on the consumption of duplicating paper and white printing paper on the average consumption of the preceding three years. The ministry has urged upon the various departments to reduce to a minimum local purchases of paper and various items of stationery. Printing of books and other publications including reports and forms is being reviewed.

Outstanding Claims with LIC

Unoin deputy minister for Finance, Mrs Sushila Rohatagi, admitted in the Rajya Sabha recently that nearly 83,000 claims, totalling over Rs 36.21 crores were pending with the Life Insurance Corporation of India for the last three years. The deputy minister stated that the government had already taken steps to simplify the given procedure. It has also given more discretionary powers to the LIC to dispose of claims up to certain limits. She asserted that there had been "progressive improvement" during the last few years. The union minister for Finance, Mr Y.B. Chavan added that the persons insured, while being examined by medical practitioners, might not have given all the facts about their illness or concealed some essential facts which made it difficult to fill up their particulars.

Copper Output

The Khetri unit of a Hindustan Copper Limited (HCL) a public sector undertaking in Rajasthan, milled a record 63,017 tonnes of copper ore in July last. The production in June and May, 1974. was 50,124 and 33,060 tonnes, respectively. The concentrate produced in tonnes during these three months was as under with the percentage of copper metal given in the parenthesis: July 4,695 (13.11 per cent), June 3,114 (14.6 per cent). May 178 (11.05 per cent). There has, however been a fall in ore production at the HCL unit at Ghatsila in



Bihar. While in April-July 1973, the unit milled 262,317 tonnes of copper ore, it could produce only 243,685 tonnes of ore during April-July 1974. There was also a fall in the production of blister copper and kyanite at Ghatsila. The unit also produced 890 kg of salenium during April-July 1974. At Dariba, in Rajasthan the ore milled in May, June and July, 1974 was 3,001 2,718 and 2,718 tonnes respectively, The concentrate produced during months was 187 tonnes (23.09 per cent) 171 tonnes (23.12 per cent) and 206 tonnes (19.66 per cent).

Names in the News

Mr. A.D. Granger, Director of the International Labour Organisation's area office in New Delhi left India at the end of August on completion of his tenure, to take up another assignment with the ILO as the director of its area office at Manila.

Pending the appointment of a new Director, **Mr. S. Sankar Narayanan**, the present Deputy Director, will be in charge of the area office. The ILO has had a branch office in India since 1928. It was converted in to an area office in 1970 as part of the organisation's decentralisation programme and is responsible for ILO's programmes in, India, Bhutan, Nepal, the Maldive Islands, and Sri Lanka.

Mr Khailshanker Durlabhji has been elected as the President of Rajasthan Chamber of Commerce & Industry for the term 1974-75. Mr Durlabhji is the senior partner of the firm Messrs. R. Y. Durlabhji of Jaipur, who have earned national and international fame in the production and export of cut and polished Emerald stones.

Mr A. Rahman, a senior scientist of the Council of Scientific & Industrial Research, has been elected Vice President of the prestigeous International Commission on Science Policy Studies, currently meeting at Tokyo. Mr Rahman has been India's representative at this commission since it was set up in 1971 as an international scientific society. The Commission has chosen **Prof. Jean-Jacques Salomon** (Vice President) of France as its President.

Mr K. Sundaram, Managing Director of Lakshmi Mills Co Ltd, and Coimbatore Cotton Mills Ltd, was re-elected Chairman of the **Indian Cotton Mills' Federation** for the year 1974-75 at a meeting of the Committee of the Federation held on Tuesday, August 20, 1974.

Mr Balkrishna Harivallabhdas, Managing Director of Mr Ambica Mills Ltd, and **Mr Rasesh N. Mafatlal,** Managing Director of Standard Mills Co Ltd, were also re-elected Deputy Chairman and Vice-Chairman, respectively.

The other members of the Committee are: Messrs Ramprasad Poddar, Kantikumar R. Podar, Jagdish Prasad Goenka, Dr Mohanlal Piramal, K. Venkatesalu, R. Doraiswami N. Soundarajan, M.B.S. Henry, Indravadan Pranlal, Navnitlal Sakarlal, Rajnikant R. Nagri, M. M. Manna, Dr Gaur Hari Singhania. Dr Rajaram Jaipuria, Kailash Agrawal, Ramanlal Chimanlal, Kantilal K. Sheth, Sampatmal Lodha, S. P. Virmani, Naval H. Tata and Krishnaraj M. D. Thackersey.

At the annual general meeting of the **Indian Sugar Mills Association** held recently in New Delhi, the following were elected to the committee of the Association for the year 1974: President; Mr P. Maruthai Pillai, Vice-President: Mr Madhava Prasad, Ordinary Members: (1) Mr R. P. Nevatia; (2) Lala Bansi Dhar; (3) Lala Hariraj Swarup; (4) Mr M. L. Modi; (5) Mr D. R. Dani; (6) Mr S. N. Gundu Rao; (7) Mr P. K. Kanoria; (8) Mr. V. D. Jhunjhunwala; (9) Mr H. R. Kamani; (10) Mr Gurnihal Singh Majithia; (11) Mr T. Kanoria; (12) Mr M. P. Jhunjhunwala; (13) Mr S. K. Jain; (14) Mr P. L. Dhanuka; (15) Mr D. D. Puri; (16) Mr M. L. Apte; (17) Mr S. K. Somaiya; (18) Mr Bahubali Gulabchand; (19) Mr M. Lingaiah; (20) Mr M. R. Morarka; (21) Mr T. S. Chintamani: (22) Mr H. C. Kothari; (23) Mr V. S. Tyagaraja Mudaliar; (24) Mr V. L. Dutt; (25) Mr G. R. Nair; *Co-opted Members:* (1) Mr Pradeep Narang; (2) Mr P. C. Sawhney; (3) Mr Mr B. M. Thapar; (4) Mr R. P. Khosla; (5) Mr H .K. Srivastava; (6) Mr S. N. Lal; (7) Dr B. P. Kedia.

Readers' Roundtable

Hydergine Upgraded

Sir, we draw your kind attention to the article 'Pharmaceuticals and the Public Interest', on page 1023 of your journal dated May 24, 1974.

According to the report published by *The Guardian*, you have mentioned in para 2, column 1, that, in the case of Sandoz's Hydergine marketed in the UK and which also continues to be sold in the US, the US Food and Drug Administration (FDA) has asked for further proof of the efficacy claimed for it.

This news has been incorrectly published. On the contrary, Hydergine is the first product to be rated by the FDA as being effective against the symptom complex of cerebrovascular insufficiency, like depression, confusion, self-care, unsociability, dizziness, etc. in old age and the only product in the UK market to achieve that status.

We are also enclosing for your perusal, a xeroxed copy of the article, 'Drugs in Use' published in Pharmaceutical Journal, London, dated June 1, 1974. In this article, it is stated that Hydergine has been upgraded by the FDA. We shall be grateful if you will publish this in your esteemed paper.

Thanking you,

Bombay

SANDOZ (INDIA) LIMITED

The relevent statement in "Drugs in Use" is "Hydergine which has recently been upgraded by the American Food and Drug Administration from 'possibly effective' to 'effective' according to a statement issued earlier this month by Sandoz Ltd." The obsevation in *The Guardian*, which was referred to in this journal, related presumbly to the position as it was before the "upgrading" was effected on the basis of further evidence—Ed.

RECORDS AND STATISTICS

A Quarterly Bulletin of "Eastern Economist" this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in a convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

The Bulletin averages 64 pages and is priced at at Rs 5 per copy. The annual subscription is Rs 20.

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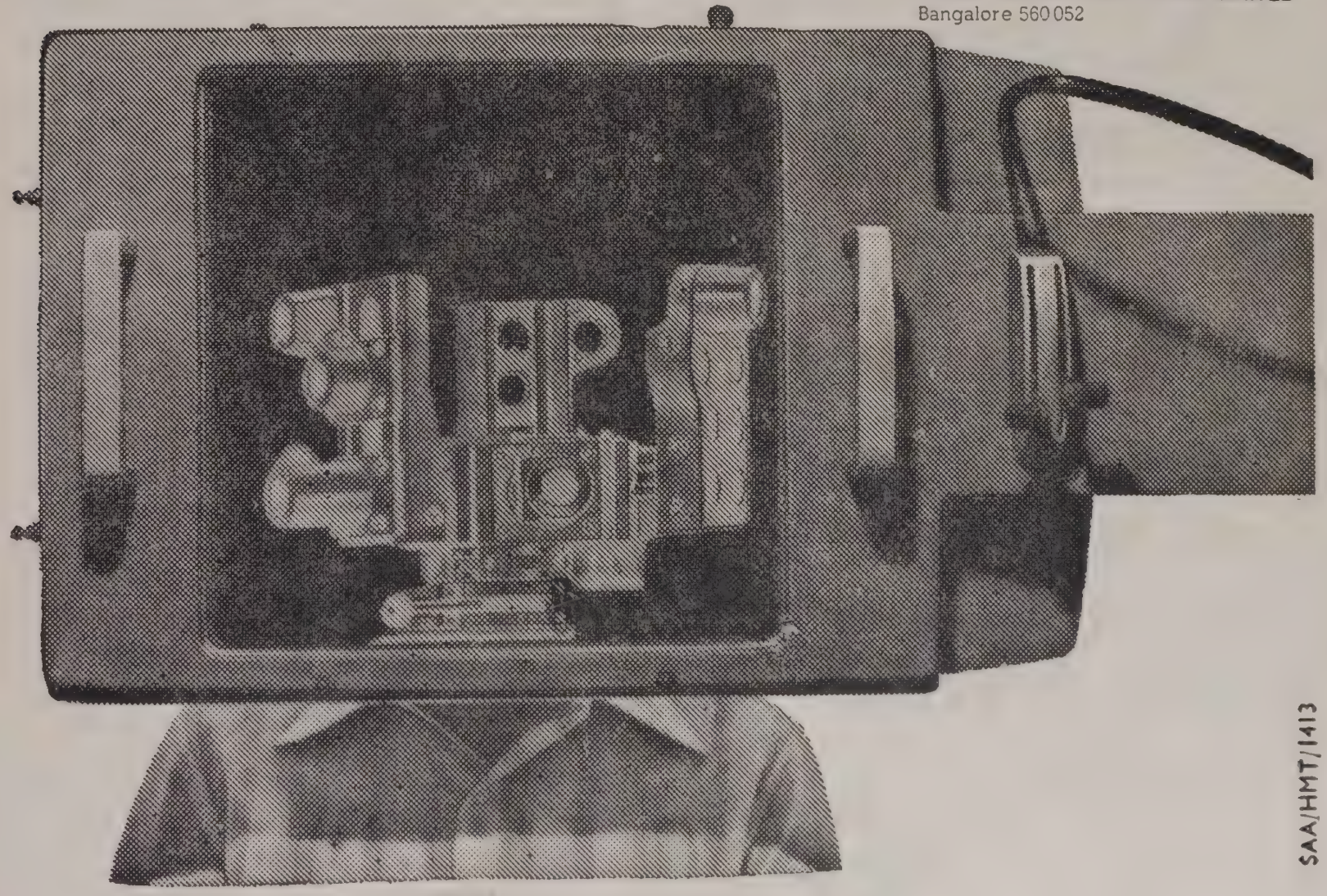
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A gathering of nations

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COMPANY AFFAIRS

Crisis of Confidence

EQUITY VALUES continue to remain easy. Investors, both institutional and general, still seem to be keeping away, with the result that even lower levels attract only modest support. For what it is worth, however, the decline in share prices seems to have decelerated but it is nevertheless too early to anticipate the emergence of relatively stable prices.

The income-tax and anti-smuggling raids, which are being intensified, have aggravated the bearish atmosphere. It is not that there is dissatisfaction or resentment with the government's policy of taking drastic action against anti-social elements. Granted that the government has a right and a duty to proceed against tax evaders or those who indulge in smuggling or other economic crimes, such as the violation of the gold control law, what is depressing business sentiment is that New Delhi does not seem to have any positive programme for dealing with the economic crisis facing the country.

There has no doubt been some improvement in the availability of power, and the rationing scheme in the Calcutta area seems to have got off to a satisfactory start. Nevertheless, the prime minister herself has been forced to concede that the country will have to live with a shortage of electricity for industrial and agricultural purposes at least for the next two years. Business circles however question the wisdom of this fatalism. It is within the power of the government, after all to take a number of short-term measures to improve the efficiency of the generating facilities in the public sector, while assisting and encouraging individual industrial units to set up captive generators.

It is believed that, unless effective steps are taken here and now to stimulate industrial activity and step up production, the country's economic crisis is bound to be aggravated by recessionary tendencies both at home and abroad. With the price level continuing to rise and the government obviously unable to curb unproductive public expenditure, marketmen feel that New Delhi will find itself increasingly compelled to resort to restrictive economic policies and punitive administrative measures in a vain attempt to contain inflation

Despite learned discourses by financial pundits that the restraint on dividends need not necessarily prejudice new issues, the capital market continues to be pessimistic and gravely lacking in confidence. Experienced investment advisers argue that the mere fact that dividend restraint cannot actually affect new issues, since this measure is to be in force for only two years, is not really relevant to investor psychology. The problem is reasonable capital appreciation and, given current government thinking, there is little likelihood of the outlook improving in this regard. It has been disclosed that the Traco Carbide issue was not fully subscribed, but the management had decided to make good any shortfall. I. T.C. Limited is offering this week one million ordinary shares of Rs 10 each (fully paid-up) for cash at par. The public's response in the circumstances will be awaited with more than the usual interest

Birla Cotton

BIRLA COTTON Spinning and Weaving Mills Ltd has reported fine progress during the year ended March 31, 1974. Sales during the year rose spectacularly to Rs 22.38 crores and it outstripped the previous year's performance by as much as Rs 3 crores. Exports too rose appreciably during the year to Rs 90 lakhs, recording a gain of Rs 34 lakhs over 1972-73. Gross profit, however, was marginally lower at Rs 1.08 crores as compared to Rs 1.10 crores in the previous year. The directors have recommended an equity dividend of 11 per cent for 1973-74. Though the working results fully justify declaration of a higher dividend, the directors regret they could not do so in view of the dividend ordinance.

Although the turnover during the year under review was significantly higher than in the previous year the overall working results could not record a similar improvement due to the allround increase in production and labour costs. The working of the textile mills at Delhi was adversely affected due to labour trouble from April 11 to May 6, 1973 and also due to considerable increase in wage bill and other production costs. The performance of Chenab Textile Mills was however satisfactory. The completion of the expansion scheme of this unit was delayed due to late deliveries in the supply of machinery and building materials.

Out of the gross profit, the directors have appropriated a sum of Rs 25.60 lakhs to depreciation reserve as against Rs 23.05 lakhs in 1972-73 while the allocation to development rebate reserve was reduced from Rs 9.27 lakhs to Rs 3.71 lakhs. Taxation absorbed Rs 49 lakhs as compared to Rs 28.00 lakhs in 1972-73. After adjustments there is a disposable amount of Rs 53.21 lakhs, out of which Rs 52.04 lakhs was transferred to the general reserve. The recommended dividend will be



paid out of the general reserve.

Remington Rand

Remington Rand of India has suffered a setback in its working during the year ended March 31, 1974 mainly due to continued go-slow at the company's Howrah plant right from the beginning of the year forcing the management to declare a lock-out for three months from October 1973 to January 1974. Consequently the turnover dropped from Rs 5.02 crores to Rs 4.33 crores while gross profit was lower at Rs 16.75 lakhs as compared to Rs 46.58 lakhs in 1972-73. Deu to lower profit and also in view of the dividend ordinance the directors have not recommended any equity dividend for 1973-74. The dividend on preference shares has also been skipped. Out of the gross profit, the directors have apropriated a sum of Rs 9.65 lakhs to depreciation reserve, Rs 0.66 lakh to development rebate reserve and Rs 5.96 lakhs to taxation reserve as against Rs 10.36 lakhs, Rs 0.32 lakh and Rs 23.75 lakhs provided respectively in 1972-73. After adjustments a sum of Rs 4.20 lakhs was transferred to the general reserve as compared to Rs 1.40 lakhs in 1972-73. Production and sales in the first four months of the current year are quite encouraging. In view of this and the satisfactory order book position, the directors look forward with cautious optimism to better financial results in the coming year. The portable project at Faridabad has been delayed. This unit is now expected to commence production before the end of the current year.

Tata Oil Mills

The Tata Oil Mills Ltd has completed the expansion of its synthetic detergent capacity at Bombay to 20,000 tonnes. In regard to company's application for further synthetic detergent capacity pending with the government, one letter of intent for a capacity of 10,000 tonnes in Assam has been received. Efforts are being made to convert this letter of intent into an industrial licence. Balancing equipment has been provided in the Ghaziabad and Calicut factories to give greater flexibility and allow for conversion of the plant from laundry to toilet soap and vice versa as the need arises. With the shortfall in the imports of hard fats such as tallow and palm oil for the manufacture of soap, the company has decided to expand its refining and hydrogenating facilities to cover the larger usage of rice bran oil and other non-edible oils. With the very fast growth in the demand for compounded animal feeds in the country, the company proposes to instal three new plants at Bangalore, Navsari and Jamshedpur to cater to the need in these areas. The company's two trawlers which were received from Mexico have commenced fishing operations. The third trawler which is being built in Cochin is expected to be delivered shortly.

Firth (India) Steel

Firth (India) Steel Company Ltd has reported all-round improvement in its working results during the year ended March 31, 1974. The turnover during the year jumped to Rs 180.22 lakhs from Rs 121.10 lakhs in 1972-73 recording an increase of as much as 49 per cent. In terms of tonnage of high speed and alloy steel processed in the works the increase is of about 100 per cent. However the availability of high speed steel billets continued to be difficult resulting in only 23 per cent utilisation of the capacity. The company's phase III of the alloy steel billet project for making high speed and alloy steel billets has shown considerable progress. Major part of the civil work has been completed and the erection of plant and equipment is in progress. There has been a certain amount of delay in the supply of major machinery resulting in a delay of six months in the start up of the project and the arc furnace is expected to be commissioned in November 1974.

The IFC, ICICI and the State Industrial and Investment Corporation of Maharashtra have extended support to the project by extending Rs 115 lakhs, Rs 75 lakhs and Rs 40 lakhs as term loans to the company. The working of the company during the year has resulted in a higher gross profit of Rs 29.39 lakhs as compared to Rs 19.55 lakhs in 1972-73. Out of the gross profit, the directors have appropriated a sum of Rs 3.97 lakhs to depreciation reserve, Rs 66,000 to development rebate reserve and Rs 13 lakhs for taxation as against Rs 3.46 lakhs, Rs 25,000 and Rs 7.10 lakhs provided respectively in 1972-73. This leaves a surplus of Rs 11.76 lakhs. After adding Rs 7,177 the balance brought forward from the previous year, there is a balance of Rs 11.83 lakhs and the entire amount has been transferred to the general reserve. Taking into consideration the dividend ordinance the directors have recommended a dividend of seven per cent. It will absorb Rs 3.47 lakhs and it will be paid out of the general reserve. The dividend is expected to be free of tax in the hands of the shareholders. The encouraging trend in turnover continues during the current year and it is expected that both the sales and

MANAGEMENT DEVELOPMENT INSTITUTE

NEW DELHI-110057

(Sponsored by the Industrial Finance Corporation of India)

The first Training Programme of the Institute on "New Entrepreneurs and the Management Scene' was held during 27-29 March, 1974. Subsequently several residential and non-residential programmes have been conducted at the different places on various aspects of management for top, senior and middle level executives.

Management Development Institute has scheduled the under-noted programmes during September-December, 1974.

	Topic	Period	Place
1.	Management of Development Banks	4-6 September	New Delhi
2.	Managing the Personnel Function	10-18 September	New Delhi
3.	Sugarcane Development	23-27 September	Lucknow
4.	General course on Development Banking	30 September-26 October	New Delhi
5.	Financial Management	18-23 November	Poona
6.	Legal Aspects of Development Banking	2-14 December	New Delhi
7.	Management of Current Assets	9-13 December	New Delhi
8.	Management of Textile Spinning Industry	16-21 December	Bangalore

For further particulars and participation please contact:

The Secretary,
MANAGEMENT DEVELOPMENT INSTITUTE,
A-21, Palam Marg,
Vasant Vihar,
New Delhi-.110057

roduction would be higher
an in 1973-74.

Bajaj Auto

Bajaj Auto has received a
dustrial licence for 15,000
ree-wheelers per annum and
taking necessary steps to im-
ement the same. The com-
ny has applied for substan-
al expansion of the scooter
anufacturing capacity from
),000 to one lakh scooters per
ar. The terms of the colla-
oration agreement with Wes-
rn Maharashtra Development
orporation to set up a scoo-
r plant in Satara have been
nalised. A new public limited
ompany is being promoted
the joint sector in which
VMDC and Bajaj Auto will
old 27 per cent and 24 per
nt. of the share capital res-
ectively. The company is
lso negotiating for providing
echnical know-how for setting
p a three-wheeler plant in
angladesh and a scooter and
hree-wheeler plant in Indo-
esia. Despite competition
n world markets, the company
as continued its efforts to
xport scooters and three-
heelers. As a result, Bajaj-
Chetak, the new model of
cooter manufactured by the
ompany, has become popular
n the overseas markets and
t present the demand for the
ame is in excess of the pro-
uction.

Poly Chem

Poly Chem Ltd has ob-
ained a letter of intent for
he manufacture of Acryloni-
rile Butadiene Styrene (ABS)
esins. The grant of letter of
ntent is conditionally upon
sing the indigenous techno-
ogy. To develop indigenous
ommercial technology for
roduction of ABS resins, a
ilot plant based on labora-
ory scale know-how develop-
d by Sri Ram Institute and
urchased through NRDC, is
xpected to be commissioned
hortly. The company's ap-
lication for a grant of a let-
er of intent for the manufac-
ure of Vinyl Acetate Monomer
nd other related products is
nder the consideration of the
overnment of India and the
ompany looks forward for
receiving the same which will permit further diversification.

News and Notes

The Tata Group of Electricity companies propose to place privately with financial institutions during the year ending March 31, 1975, further new debentures worth five crores of rupees, the proceeds of which will be utilised for their programmes of rehabilitation and modernisation during the next two years.

Kanoria Chemicals has received a letter of intent for doubling the capacity of caustic soda plant to 66,000 tonnes per annum. Another letter of intent has also been received for trebling the capacity of stable bleaching powder plant to 15,000 tonnes, per year. The company's application for increase in capacity for the manufacture of toulene di-isocyanate from 3,600 tonnes to 6000 tonnes per annum is still awaiting the approval of the government. The company's foreign collaboration proposal for Methly Methacrylate Monomer has been approved by the government.

Bhoruka Steel group has embarked upon a massive diversification programme. It is setting up a Tyre-Tube project with a capacity of four lakh numbers per annum at Bhuwaneshwar, Orissa, in technical collaboration with General Tires of the USA. The project is estimated to cost Rs 27 crores and is expected to be commissioned by the end of 1977. A new company, styled, Orissa Tyres would be formed for this purpose and would enter the capital market sometimes towards the end of 1975. The cement project with capacity of four lakh tonnes per annum would be located in Chanda district in Maharashtra at an estimated cost of 20 crores. The project is likely to go into production by early 1978. A spinning unit will also be located in a backward area in Dharwar district in Karnataka with an initial capacity of 25,000 spindles. The total investment would be around Rs 3.58 crores. Weaving and finishing facilities would also be provided at a later stage. An oxygen plant will also been set up in the joint sector along with the Karnataka State Investment and Industrial Development Corporation. A new company styled. Karnataka Oxygen would be formed for this purpose. The plant will be located at Bangalore at a cost Rs 2 crores. This company is expected to enter the capital market towards the end of the current year.

During the first sixth months of 1974, 525 industrial licences were issued. Out of these 130 licences went to Maharastra followed by UP with 66, West Bengal with 50 and Tamil Nadu with 48. Gujarat received 47 licences and Andhra Praeesh 27. Other states which received licences included Punjab, Rajasthan, Haryana, Madhya Pradesh, Bihar and Karnataka.

Out of the 525 licences, nearly 30 per cent were granted to the backward areas in various states. UP got 23 licences, West Bengal 20, Tamil Nadu 27 and Maharashtra 16. During the whole of last year, 592 licences were issued and out of these 17 per cent went to backward areas.

Capital and Bonus Issues

Consent has been accorded to eight companies to raise capital amounting to over Rs 7.23 crores. Following are the details.

Richardson Hindustan Ltd, Bombay, have been accorded consent valid for three months, to capitalise Rs 40,00,000 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of four bonus shares for every seven equity shares held.

The Bharat Vijay Mills Ltd, Kalol, Gujarat, have been granted consent, valid for a period of three months, for issue of bonus shares worth Rs 80,00,000 only.

Dai-Ichi Karkaria Pvt. Ltd, Bombay, have been granted consent, valid for a period of three months, for issue of bonus shares worth Rs 30,00,000 only.

Osnar Paints and Contracts Pvt Ltd, Bombay, have been accorded consent, valid for three months to capitalise Rs 25,000 out of general reserve and and issue fully paid equity shares of



Rs 100 each, as bonus shares in the ratio of one bonus share for every five equity shares held.

D.P.F. Textiles Pvt Ltd Coimbatore (Tamil Nadu), have been granted consent, valid for a period of three months for issue of bonus shares worth Rs 10,00,000 only.

The Tinplate Co. of India Ltd, Calcutta, having a paid up capital of Rs 125 lakhs, have been accorded consent for issue of Rs 550,00,000 as to Rs 100.00,000 as bonus shares in the ratio of 2:5 by capitalising the general reserve to a like extent, Rs 375,00,000 in equity shares of Rs 10 each for cash at par, out of which shares worth Rs 330,00,000 will be offered for public subscription and Rs 75,00,000 as privately placed debentures to the UTI for cash at par. The proceeds will be utilised for financing the expansion programme of the company. The conseut is valid for a period of three months in regard to the issue of bonus shares and 12 months for issue of shares debentures for cash.

Dividends

(per cent)

Name of the company	Year ended	Equity declared for dividend	
		Current year	Previous year
Higher Dividend			
American Universal Electric	Septr. 30, 1973	6.0	Nil
Bhartia Electric Steel	Dec. 31, 1973	10.0	7.5
Dhanalakshmi Mills	Dec. 31, 1973	20.0	12.0
Herdilla Chemicals	Dec. 31, 1973	10.0	Nil
Mahendra Mills	March 31, 1973	10.0	Nil
Saroja Mills	Dec. 31, 1973	12.0	10.0
Sri Annapurna Cotton Mills	Dec. 31, 1973	17.5	15.0
Bhoruka Steel	March 31, 1974	12.0*	Nil
Sivananda steels	March 31, 1974	9.5	7.5
Same Dividend			
Electric Construction and Equipment	October 31, 1973	10.0	10.0
Andrew Yule & Co.	Dec. 31, 1973	Nil	Nil
Empire Dyeing	Dec. 31, 1973	20.0	20.0
Mohini Mills	Dec. 31, 1973	Nil	Nil
Nilgiri Tea Estates	March 31, 1974	Nil	Nil
Ramakrishna Steel	March 31, 1974	12.0	12.0
Reduced Dividend			
Belphar Refractories	Octorber 31, 1973	10.0	12.0
Kumardhubi Fireclay	Dec. 31, 1973	15.0	20.0
Chemicoat	March 31, 1974	Nil	15.0
Chowgule Steamships	March 31, 1974	12.0	20.0
Rajendra Coffee	March 31, 1974	12.0	40.0
Engine Valves	March 31, 1974	9.5	13.0

*Maiden dividend.

Eastern International Hotels Ltd, Bombay, have communicated to government their proposal to issue capital—under clause 5 of the Capital Issues (exemption) Order, 1969 to the value of Rs 49,80,000 in the form of 4,98,000 equity shares of Rs 10 each to be offered to public by prospectus.

Kichha Sugar Company Ltd, have communicated to government their proposal to issue capital to the value of Rs 35,00,000 (Rs 15,00,000 in equity shares and 20,00,000 in preference shares).

Company Meetings

Remington Rand of India Ltd, Banquet Room, Grand Hotel, 15, Jawaharlal Nehru Road, Calcutta 700 013; September 12; 11.30 A.M.

The Tata Oil Mills Company Ltd: Birla Matushri Sabhagar, 19, Marine Lines, Bombay 400 020; September 10; 4.00 P.M.

Firth (India) Steel Company Ltd: Registered Office at Plot No. F-3, Road No. 22, Wagle Estate, Thana 400 604, Maharashtra; September 17; 11.00 A.M.

The Birla Cotton Spg. & Wvg. Mills Ltd: Registered Office, Birla Lines, Delhi 110 007; September 21; 3.30 P.M.

THE GWALIOR RAYON SILK MFG. (WVG.) CO.LTD.

REGD. OFFICE: BIRLAGRAM, NAGDA, M.P.

NOTICE

NOTICE is hereby given that the Twentyseventh Annual General Meeting of the Shareholders of the Company will be held at GRASIM CLUB, Birlagram, Nagda on Friday the 20th September, 1974 at 4.15 P.M. (I.S.T.) to transact the Ordinary and special business mentioned in the Notice dated the 23rd August, 1974 accompanying the Annual Report and Accounts for the year ended 31st March, 1974 separately posted to the Shareholders of the Company individually at their Registered Addresses.

The explanatory statement as required under Section 173 of the Companies Act, 1956, relating to the special business is annexed to the Notice.

NOTE:

A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.

Shareholders are requested to intimate to the Company change in their registered addresses, if any.

By Order of the Board,
B.N. PURANMALKA
Secretary

August 24, 1974

we are looking for an ECONOMIST

(Rs. 30,000/- p.a. plus perks)
to be posted at Kanpur

The incumbent will be required to study and analyse fiscal policies of the Government, interpret speeches and Govt. statements, write reports and prepare representations, etc.

He must be a post-graduate in Economics, preferably Ph.D., having 10 years' experience in a similar capacity and thoroughly conversant with various Govt. policies in respect of industrial development/planning/taxation and other financial matters.

Apply in confidence within 15 days giving complete bio-data and details of experience and indicating present and expected emoluments to

THE SECRETARY
J.K. CENTRAL EMPLOYMENT BUREAU
KAMLA TOWER KANPUR.

INDIAN SUGAR MILLS ASSOCIATION

Problems and Prospects of the Sugar Industry

[Extracts from the presi-ential address of Shri radeep Narang delivered the 41st Annual Gene-al Meeting of the Indian ugar Mills Association eld on 16th August, 1974.

esides being an agro based dustry of vital bearing to the llions of cane growers, the gar industry has now emerg- as a large-scale foreign ex-ange earner for the country. en if we are able to export 6 kh tonnes of sugar this year, e industry would be contri-ting foreign exchange of the der of Rs.300 crores, which, rhaps is the highest for any ngle commodity. Besides, the pee profit to the exchequer expected to be of the order Rs 170 crores. In the years come it should be possible programme for an annual port of 10 lakh tonnes. In is context, there is need for agmatic solutions to the roblems of this industry which hibit production.

Excise Rebate—Due to the realistic scheme of excise bates announced for the rly part of the season 1973-, we lost as much as 2 lakh nnes output since factories uld not start early. The gar output in earlier months October and November this ason was only 3.20 lakh nnes as against 5.10 lakh nnes achieved during the eceding season. It is unfor-nate that the Government's proach in this matter has ed purely statistical. They em to formulate their policy sed on the previous year's rformance disregarding com-etely the actual conditions taining during the season r which the scheme is actual-formulated. The policy has be formulated taking into count the factor of additio-l costs incurred both during e earlier part of the season d the later hot summer nths. If such relevant con-derations are ignored, the resultant policy would be only self-defeating and would not yield the desired results.

Credit Squeeze—The severe credit squeeze measures imposed by the banks under directions of the Finance Ministry and the Reserve Bank of India further aggravated the difficulty of the factories. The credit limits of the factories were pegged at the previous season's drawings disregarding the higher output and also the higher costs. Simultaneously, the margins were also increased steeply, on levy sugar from 10% to 15% and on free sugar from 15% to 25%. As a result of the aforesaid measures, there has been a clear resource gap of about Rs 75 crores between the actual requirements of the industry and bank credit allowed to it. The Reserve bank of India must realise that the credit squeeze has to be selective and not general like the present one, if industries producing essential commodities such as sugar are expected to maximise production. Due to the policy of the Reserve Bank of India, the factories were unable to maintain prompt cane payments as a result of which there was a heavy diversion of cane to gur and khandsari and sugar production suffered.

While planning for increased production it would be necessary to relex the credit squeeze measures now imposed on this industry in common with others. Here the production is confined to a short period of 4/5 months while deliveries are staggered by the Government over a period of 12/14 months. Considering this peculiar feature of the industry and the interests of the cane growers, it is necessary that the present credit curbs are relaxed in the interest of increased production as otherwise all our efforts at augmenting production may prove abortive.

Khandsari Spurt—As a direct consequence of unrealistic and inadequate excise rebates and severe credit squeeze measures, there was large scale diversion of cane to khandsari and power crushers and an abnormal increase in khandsari output has resulted. During the last season its output, as reported, has suddenly spurted to over 10 lakh tonnes representing a 100% increase during one single year. With proper policies in regard to crystal sugar and khandsari sugar, such large-scale diversion of cane to khandsari could be checked. For producing additional 5 lakh tonnes as much as 70 lakh tonnes of extra sugarcane has been crushed in khandsari plants. If we could save this cane for sugar factories, the country would have achieved an additional sugar output of about 6.30 lakh tonnes. It is common knowledge that the process losses in khandsari production are much higher and as much as 40% of the recoverable sugar is lost in the process itself.

In order to minimise such diversion of cane the present tax disparity between sugar and khandsari should be narrowed down. Even after the last hike in the compounded rate of excise duty on khandsari, the effective duty is not more than Rs 15/- per quintal on sulphur khandsari and Rs 11/- per quintal on ordinary khandsari as against Rs 109/- per quintal of free sugar. At no time the disparity was so great. Normally the disparity should be of the order of about Rs 50 per quintal only taking the normal parity in their prices as against about Rs 100/- per quintal existing today.

Cane Price—The Government have yet to announce the statutory minimum cane price for the ensuring season. The present price of Rs 8/- per quintal linked to a base recovery of 8.5% was fixed during 1972. Since then, the prices of agricultural commodities have gone up all round. So is the case with various inputs specially fertilizer whose price has been almost doubled recently. To ensure a steady level of cane acreage in factory areas it is essential that the minimum cane price is fixed at a level which assures to growers parity inrealisations from other commodities. The Sugarcane (Control) Order, 1966, in fact, interalia provides that Government would fix the statutory minimum cane price keeping in view the returns to "the returns to the growers from alternative crops and the general trend of prices of agricultural commodities".

Levy Sugar Prices—Closely related to this is the question of determination of a fair levy price for the industry in the absence of which the cane payments are effected which in turn impairs the cane supplies to factories. The experience of the last season establishes this point beyond any doubt. Taking the actual duration of the season and sugar recoveries and employing the Tariff Commission schedules with permissible cost escalations, the zonal levy prices on an average would compute to be higher by Rs 10/- per quintal than what has been actually fixed by Government. In certain regions the difference would be as high as Rs 15/- per quintal. The industry which is provided with a gross margin of Rs 5.60 per quintal, will not be able to sustain such heavy losses, specially when all the cost escalations are not taken into account. In effect the entire margin would be completely wiped out and a majority of units would be in the red.

It was hoped that the revised levy prices based on the actual results of the factories and providing for the cost escalations would be announced soon. Within less than 45 days this season would come to a close and hardly any stocks would be left with the mills. Still there is no firm indication when the revised levy prices would be announced. Factories, meanwhile, continue to deliver levy sugar at economical provisional rates.

Cane Development — No

doubt, lasting stability in the industry can be achieved only by accelerating cane development work. It is a happy augury that during the 5th Plan period, Government of India are proposing to give special attention to the development of sugarcane crop. Hitherto, sugarcane has remained a state subject but its development has not made much headway due to paucity of resources. The working group of the Agriculture Ministry has prepared a paper for cane development during the 5th Plan period involving a total outlay of Rs 26.92 crores, which, is under active consideration of the Government. While this is a welcome development, the total outlay seems to be low having regard to the magnitude to the problem and the need for developing vast areas and it should be suitably raised.

New Capacity—The other matter which has a bearing on the lasting stability in the industry is about the creation of new capacity. For the Fifth Plan period, the Planning Commission has fixed the capacity target of 60 lakh tonnes for achieving the sugar output of 57 lakh tonnes. It is doubtful if such an ambitious target could be achieved within the Plan period and there may be a sizeable spill-over to the next Plan. In the present licensing policy, there is undue emphasis on installation of new units while expansions in the existing units have been relegated to a secondary position. A new plant of 1250 tonnes capacity currently costs about Rs 7 crores. The indications are that very soon it will go up to 8 crores. Taking the whole Plan period, it will be safer to assume an average figure of Rs 9 crores. This would amount to a significant strain on the country's resources. Expansions in the existing units admittedly are much less costly and less time consuming. It may therefore be desirable to reverse the apportionment of new capacity between expansions and new units as 60 per cent for expansions and 40 per cent for new units. In fact, expansions should be permitted freely without any licence or restrictions whatsoever. This would render the Plan less costly and capable of speedier implementation.

Further, in the selection of sites for new units adequate consideration should be given to cane requirements of the existing factories as otherwise the capacity utilisation of both the new units and the neighbouring old units suffers. The utilisation of capacity in new units during the past few years has been continuously going down and it was only 60% in 1973-74 season. Half a dozen new units did not work at all. For ensuring optimum capacity utilisation, Government should, before issuing any new licence, give adequate opportunity to the existing neighbouring units to represent their case. There should be a central independent authority to look into this matter.

With a little attention to existing units the sugar output can go up substantially. Larger interests of cane growers also demand that the old units should be helped to expand and modernise. It is therefore, urged that a revolving fund as recommended by various expert bodies to provide finance to the old units on easy terms for rehabilitation, modernisation and expansion should be created as early as possible.

THE INDIAN RAYON CORPORATION LTD.

INDUSTRY HOUSE
159 CHURCHGATE RECLAMATION
BOMBAY-400 020

Manufacturers of :

Quality Viscose Rayon Yarns
Bright and Coloured.

MUKAND IRON & STEEL WORKS LTD.

Statement of the Chairman Shri VIREN J. SHAH

Following are excerpts from the Statement of Shri iren J. Shah, Chairman of Mukand Iron & Steel 'orks Ltd, to the Shareholders while presenting the alance Sheet for the year 1973-74.

»wer—A Basic index of deve-»ment

One of the basic indices of e economic development of country is the quantum of »wer that is available to dustry and agriculture. Pro-uction depends on power. A ortfall in the supply of power therefore, certain to lead to l round shortfalls in produc-on—in agriculture as well as every field of industry. The »untry has been in the grip an acute power shortage and e economy has been reeling nder the impact of the shor-ge. Our plans had estimated e likely growth of our require-ents of electricity and fixed rgets for every Plan. But we ave fallen short of targets in very Plan. The percentage of ne shortfalls has increased from 5.4 in the First Plan to 50 in ne Fourth Plan. We have chieved a capacity of 18.87 MKW as against a target of 8.83 MKW. The Fifth Plan self has identified the reasons or this shortfall in installation s lack of adequate project nanagement and monitoring; hortages of key materials, like teel, cement, electrodes and xplosives; delays in civil works nd the ordering and supplying f plant and equipment; and isturbed industrial relations. None of these are unforeseen natural calamities. They are ll factors that man could have nd should have controlled, nd the shortfall is, therefore, primarily the result of failures n management.

Poor Record of SEBs

The State Electricity Boards that bear the primary responsi-bility for generation and supply of electricity have functioned as Government departments and not as autonomous commercial enterprises that are accountable to consumers and responsive to their needs. Ideological predilections, hostility to private licensees, delays in decision making—in approving projects and applications for import licences for plant and equipment, have riddled the functioning of the Boards. Operational efficiency has been at an inordinately low ebb. The Thermal Stations of the State Electricity Boards generate only 3000 KWH for every KW of installed capacity, whereas the comparable figure is 4700 KWH in the U.S. 5600 KWH in Japan and even in India 6800 KWH in the Tata Power House at Trombay.

Losses in transmission & distribution

The story is the same when we look at the losses in transmission and distribution. While the average in industrially advanced countries is between 5.7 and 12.5 per cent, in India the average is 17 per cent, and in some States the loss is as high as 29.3 per cent. The loss of 1 per cent in distribution and transmission is equivalent to the loss of Rs. 50 million per annum.

Erratic supply

Another continuing source of worry has been the erratic and unreliable quality of power supply and the damage that fluctuations in frequencies cause to machinery. Even the Power Mission from the U.K. had to point out to "inadequate teaming of operational and maintenance staff" and "manning levels which were 10 times higher than in equivalent plants in Europe."

Blend of Sources

Though power is generated from Thermal, Hydel and Nuclear sources in our country, Thermal Power accounts for more than 50 per cent of the power we generate. 63 million tonnes of the non-coking coal we have is concentrated in a few locations. The Railways are not able to cope with the task of transporting them to long distances. This leads to shortfalls and breakdowns.

Under utilisation of hydel resources

The abundance of hydro sources in India, their wide distribution in the States and low cost of generation indicate that in any judicious blend of sources that can sustain a sound power system, hydro power will have to carry the base load, leaving it to Thermal and Nuclear power to carry the peak loads. But we has harnessed only 17 per cent of these resources. Many river valley projects like the Narmada project have become the victims of indecision and political wranglings, resulting in colossal loss to the nation. The delay on the Narmada alone has been estimated to have cost the nation nearly Rs. 9,500 million in the last 26 years. Even States which have abundant hydro sources have been the victims of acute shortage of power. How could they have found themselves in this predicament but for inadequate attention to hydro sources, and an injudicious blend of sources and administrative mismanagement and inefficiency?

Need for tapping nuclear energy

An estimate made in 1960 points out that 35 per cent of the country and 30 per cent of the population are outside the economic range of thermal sources. Some of these areas have not been blessed with adequate hydro resources either. It will obviously be more economic and efficient to go in for nuclear power in such areas like Kutch, Saurashtra, Rajasthan, Haryana, Western U.P., Eastern Maharashtra and Tamil Nadu. There is no doubt that a rational and balanced energy programme for the country will, therefore, have to assign an increasing load to our nuclear sources.

Effect of power shortage—losses

I would have liked to present a quantified estimate of the losses that the power shortage has caused in every sector in every industry and consequently on every other industry that is a feeder or a dependent. But many of the enterprises and even the Government have found it difficult to obtain statistics on the separate effect of each of the causes of the current crisis in production. Yet, the Finance Ministry's economic survey acknowledges that "the most important cause of slow growth has been the widespread shortage of power."

The survey and statistics cited in the Reports of the different concerned Ministries and industrial associations reveal the extent and intensity of the loss in many key industries.

Steel

Official sources have estimated that India lost 414,000 tonnes of saleable steel in 1973-74 as a direct result of power shortage, excluding the loss due to non-operation of electric arc furnaces; that the power supply to the Durgapur Plant fluctuated between 28 and 38 MVA as against a minimum requirement of 52 MVA, to the Alloy Steel Plant between 29 and 38 MVA as against a requirement of 45 MVA, to TISCO about 55 MVA as against a requirement of 90 MVA; that the actual performance of the steel arc furance industry was only 38.2 per cent of its potential performance since the industry received only about 35 per cent of the power it required.

Coal

Frequent interruptions and break-down of power supply, affected the production of coal.

Short supply of coal not only led to shortfalls in the generation of power but also, in turn, affected production in agriculture, industry and mining including the mining of coal itself.

Engineering Industry

The Association of Indian Engineering Industry has estimated that the loss of production in the engineering industries in West Bengal alone amounted to Rs 570 million in the first quarter of 1973.

Fertilisers

Fertilisers are crucial for our attempts to increase agricultural production and fight the chronic food shortage. Yet the total loss in the production of nitrogenous fertilisers for which the "power shortage was largely on resprosible" has been estimated as the equivalent of 90 million dollars worth of imports.

Aluminium

Aluminium is a key industry. Aluminum cables and conductors are needed in the generation and supply of power. They are also among our export earners. But as against the installed capacity of 195,000 tonnes per annum on account of power cuts imposed by the different State Governments production was around 150,000 tonnes. The power cut to the largest manufacture of aluminium in the country viz Hindalco, started at 25 per cent, was increased to 40 per cent then to 50 per cent and since January 1974, the supply was completely cut off inspite of an agreement which binds the UPSEB. The Mardas Aluminium Plant had to close down completely for 5 months and it is subject to a 30 per cent power cut now. The Indian Aluminium Plant at Belgaum is reported to be under a 60 per cent power cut since June this year. Thus, all plants are being forced to shut down or reconcile themselves to the progressive conversion of most of their installed capacity into idle capacity. Yet one hears talk of importing aluminium to meet the shortfalls in indigenous production.

Cement

Cement has fared no better. It has suffered cuts ranging from 20 to 75 per cent and the Cement Manufacturers Association has estimated the loss of production due to power shortage as 1.8 million tonnes for the first two quarters of 1973.

Cotton

Cotton and jute are the highest and second highest export earners, accounting respectively for 13.1 per cent and 12.6 per cent of our total export earnings. According to the Indian Cotton Mills Federation, the drop in the production caused by power cuts during February to June 1973 was 37 million kilograms of yearn and 72 million metres of cloth.

Jute

In the case of jute, the loss in production for the single month of April 1974 is estimated at Rs 150 million. The total estimated loss was Rs 252 million in June 1973 and Rs 181 million in January to March 1974. At a time when the oil crisis has compelled many countries that had taken to synthetic packing materials to turn back to jute, we find that the power shortage in the country has robbed both the grower and the manufacturer of the opportunity to benefit from this favourable swing in the international market.

Social Impact

The shortage of power has even affected hospitals, particularly the surgical wards and the cardiac units. The number of workers who have either been retrenched or laid off as a result of power shortage will run into many lakhs in the country.

Remedial Measures Short Term

The Government does not hold out any promise of an early improvement in the position. In fact, all estimates warm of sizeable shortfalls and recurring shortages. It has, therefore, become imperative to draw attention to the paramount need for immediate remedial measures as well as the long term plans and administrative re-organisation necessary to see that industry and agriculture are not paralysed or hobbled by the shortage of power.

(1) The operational efficiency of the existing plants and transmission and distribution systems must be improved. If all power plants in the country are run as efficiently as the Hindalco and Trombay power plants, at around 90 per cent capacity, and transmission losses are brought down from 17 per cent to around 5.7 per cent, we would have nearly neutralised the current power shortage. Adequate in-plant trading must be provided to staff and the services of qualified consulting engineers should be used to locate defects and improve operational efficiency.

(2) Construction of intra-state and inter-state transmission lines and load dispatch facilities should be hestened to enable each system to benefit from the surpluses that may originate in neighbouring systems.

(3) Each Thermal Station should be linked with its sources of coal, both to ensure that the kind of coal suitable to it is available and that boilers are designed on the basis of the quality of coal. The Government should examine the suggestion that captive mines should be attached to Thermal Station.

(4) All captive power plants and generating equipment available in the private sector should be immediately pressed into service.

(5) Power projects and plants that generate and transmit power should be considered crucial to the economy and strikes should be banned in them.

(6) The SEBs should strictly adhere to the guidelines that the Ministry of Irrigation and Power has formulated on priorities to be accorded during periods of shortage.

Long Term Measures

(1) Projects should be made more realistic. The recent experience of several hydel projects makes one wonder whether we have been unrealistic or slipshod in assessing the potentials of some of the reservoirs or have allowed political pressures to prevail over the estimates of engineers. We need a thorough and systematic reappraisal of the real problem of all our hydel projects.

(2) Our enthusiasm for instant self-sufficiency in heavy plant and equipment should not be allowed to delay project or affect maintenance and the quality of equipment. Will it not be wiser to permit the import of limited quantities of crucial goods that are in short supply including spares, even if we have to earmark imports against the requirements of specific projects?

(3) Increasing the line capacity of railways especially on "bottle neck stretches" will do more to reduce difficulties in the transport of coal than transport through sea.

(4) All industries or services that require power in bulk like aluminium, iron and steel, coal mines, railways fertilisers etc. should be encouraged to generate their own power through captive power plants.

(5) The possibility and economy of pumped storage with reversible pump turbines should be examined to increase the installed capacity of hydro stations.

(6) High capacity turbo sets must either be manufactured by the BHEL, Plant at Hardwar or we must decide to import them.

(7) An extensive programme of standardisation of the design of equipment should be undertaken to speed up installation, facilitate maintenence and reduce inventories.

(8) The rural electrification programme should be revised. Nobody will grudge the spread of electricity or modern amenities to villages or the use of electricity for energising pumps. But our villages are far flung and the cost of long transmission and distribution lines and diverting scarce power from revenue yielding higher produc

h as fertilisers, steel, etc., uld be commensurate with economic and social bene- that it is expected to yield.

tructuring power administra-

The Government proposals restructure the administra- machinery for power have come a day too soon. The ision of the 1948 Electricity is long overdue and it uld be expedited. The h Plan aims at the installa- of an additional capacity of out 16.55 MKW. One has describe this as a herculean k when one recalls that it k five years of the Fourth n to create an additional acity of 4.58 MKW! It oo much to expect the SEBs carry this administrative, hnical and financial burden

without radical reorganisation.

Pesponsibilities of Ministries

Today the responsibility for the decision making at the policy level is almost fragmented among different Ministries—Irrigation and Power, Industrial Development, Finance and Commerce and the Planning Commission. At the executive level it is divided among the SEBs, Ministries of Steel and Mines, Heavy Industries, Petrolium, Transport and Railways.

Locate and remove constraints

The Ministers and the Government repeatedly declare that "we would have to live with power shortage for some time to come." But it will not allow private industry to set up its own plants. How long should the economy of the country then continue to suffer for the doctrinairism of the Government? The least that can be done if we serious about attaining our target is to activate dormant captive power plants, and to identify every constraint that has obstructed or delayed the installation of new capacity, and take immediate steps to remove them.

Power: Largest single state investment

By the end of the Fourth Plan, our total investment in power plants reached Rs 49,600 million. The Fifth Plan proposes to invest an additional Rs 61,900 million, thus making a total of Rs 1,11,500 million. Power thus has become the largest industry in India far outstripping even the Railways. It is then imperative that Govvernments, both at the Centre and in the States, ensure that the administrative and technical personnel that manage this concentration of national investment is one single industry is of the highest calibre available in the country.

By now we have had about a quarter century of closely directed planning. The least that one should expect from it is a stable infrastructure on which we can build the edifice of our economic strength and rise the levels of living of the masses of our people. However, every adverse blast that has blown across the country has found our infrastructure quaking and creaking. Where then, I would like to ask, is the "basic strength of the economy" which our Ministers boast about day in and day out?

VIREN J. SHAH

August 24, 1974.

HAVE YOU PAID YOUR ADVANCE TAX?

The last date for payment of the second instalment of Advance Tax is September 15, 1974.

This may, however, be the first instalment for some tax payers depending on their previous year.

DEPOSIT YOUR SEPTEMBER INSTALMENT OF ADVANCE TAX NOW LEST YOU MISS THE DUE DATE IN THE RUSH OF WORK.

DO NOT FORGET TO QUOTE YOUR PERMANENT ACCOUNT NUMBER ON THE CHALLAN.

DELAY IN PAYMENT MEANS EXTRA INTEREST AND, PERHAPS, PENALTY TOO.

FOR ASSISTANCE

Contact your Assessing Income-tax Officer or the Public Relations Officer of the Income-tax Department.

Issued by:

THE DIRECTORATE OF INSPECTION
(R.S. & P., Income-tax Department),
MAYUR BHAWAN,
NEW DELHI

davp 74/210

RECORDS AND STATISTICS

Export performance in 1973-74

INDIA'S EXPORTS including re-exports during 1973-74 at Rs 2411 crores (provisional) showed an increase of Rs 450 crores of 23 per cent as compared to the exports in the preceding year of Rs 1961 crores. This impressive growth despite constraints on production, was achieved over the advance of 22 per cent made in 1972-73. The increase was contributed both by higher unit value realisation and larger quantum of exports.

India's imports during 1973-74 provisionally placed at Rs 2636 crores grew at much faster rate of 44.3 per cent as compared to the previous year (Rs 1827 crores) mainly on account of sharp increase in world prices of items like petroleum, fertilisers, non-ferrous metals and increased cost of importing foodgrains. This figure may undergo upward revision when final data becomes available in respect of certain commodities. On the basis of these provisional figures, and as a consequence of greater expansion of import than exports, India's balance of trade was reduced to a deficit of Rs 225 crores during 1973-74 against a surplus of Rs 134 crores during the preceding year. (Table I)

Commoditywise Performance

Exports during the first nine months (April-December) of 1973-74, the period for which commoditywise statistics are available, at Rs 1692 crores were higher by Rs 301 crores or 22 per cent as compared to exports in the corresponding period of the preceding year. A wide range of items participated in this growth. The major contributions came from two items namely oil cakes and cotton textiles including apparel which together accounted for almost half of the total increase in exports realised during this period. Other items which recorded significant increase included mainly fish, chrome tanned leather, engineering goods, coffee, sugar, spices (mainly pepper), precious and semi-precious stones, castor oil, fabrics of art silk and handloom cotton piece goods. (Table II)

Traditionals Decline

The exports of certain important traditional items during April-December 1973, however, suffered decline. These included jute manufactures, EI tanned hides and skins, cotton yarn and mica.

During the period under review i.e., April-December 1973, as compared to the same period of 1972, exports of oil cakes, millmade cotton piece goods, fish, spices, sugar, iron ore, handloom cotton piece goods, fabrics of art silk and groundnuts showed an increase both in terms of quantity and value whereas in the case of chrome tanned leather, castor oil, cashew kernels, raw wool, tobacco and finished leather, there was increase in value but a decline in quantity. There were other items like jute manufactures, mica and raw cotton which showed a decline in value but an increase in quantity. On the other

TABLE I

India's Imports, Exports and Balance of Trade

(Rs crore

Year	Imports (cif)	Exports (fob)	Balance of Trade
1968-69	1908.6	1357.9	—550.7
1969-70	1582.7	1413.3	—169.4
1970-71	1634.2	1535.2	— 99.0
1971-72	1824.5	1608.2	—216.3
1972-73	1827.0 (R)	1960.9	+133.9
1973-74 (Provisional)	2636.3*	2411.3	—225.0

* Provisional and subject to revision (R) Revised

TABLE II

Export of Major Items During April-December 1973-74

(Value Rs crore

S No	Commodity	April-December 1973-74	April-December 1972-73
1.	Oilcakes	120.4	41.0
2.	Coffee	38.0	22.7
3.	Tea	115.5	120.1
4.	Tobacco unmanufactured	51.0	50.3
5.	Cashew kernels	63.0	56.5
6.	Spices	30.2	17.7
7.	Fish	60.2	40.5
8.	Iron ore	89.0	80.1
9.	**Cotton Textiles (mill-made)**		
	(i) Cotton piece goods	111.7	59.8
	(ii) Cotton apparel	37.6	18.8
	(iii) Cotton yarn	7.3	17.1
10.	Jute manufactures	183.8	193.2
11.	Leather and leather manufactures excluding footwear	122.9	114.7
12.	Engineering goods	121.7	103.5
13.	Chemicals & allied products	29·1	26.2
14.	Handicrafts	106.8	85.8
	(i) Pearls, precious & semi precious stones	65.4	54.3
15.	Sugar	21.8	9.8
Grand total of exports including other items and re-exports		1691.7*	1391.0

*The exports for the full year 1973-74 amounted to Rs 2411 crores (1972-73, Rs 1961 crores). However, commodity-wise details are not yet available for the last quarter

d, EI tanned hides and
ıs, cotton yarn, tea, ferro-
nganese, manganese ore,
twear and cement showed
ecline both in quantity and
ue.

port Performance

Export performance during
first nine months of 1973-74
r the same period of the
vious year in regard to
ne important items was as
lows:

Oil Cakes : Exports at 8.54
h tonnes were valued at
120.3 crores as compared
6,65000 tonnes valued at
41.04 crores in the prece-
g year's corresponding
iod, showing an increase
28 per cent in quantity and
per cent in unit value.

Cotton Textiles : Exports of
l-made cotton piece goods
189.4 million metres valued
Rs 111.7 crores showed an
rease of 56 per cent in
antity and 87 per cent in
ue. The value of cotton
parel exports at Rs 37.6
res was almost double than
t in the first nine months
1972-73. Cotton yarn, how
r, suffered a setback as on
count of power shortage
re was a shortfall in pro-
ction and in order to con-
ve supplies for the home
rket, restrictions were
ced on exports. The indi-
ions are that the export
nds in the cotton textiles
up witnessed during the
t nine months of 1973-74
re continued in the last
arter of the year.

Jute Manufactures : Quite
ntrary to the earlier expecta-
ns, the exports of jute
nufactures have registered
all during April-December
3. Total exports at Rs 184
res showed a decline of
out Rs 10 crores as com-
ed to exports in the first nine months of 1972-73 whereas exports in terms of quantum have recorded an increase from 450,000 tonnes in April-December 1972 to 4.58 lakh tonnes in April-December 1973 There was a decline in the unit value in the first half of 1973-74. The situation has, however, changed in the later half of the year and the prices of jute goods showed an increase. But the estimates of our exports for the whole year indicate a small decline in the value of exports compared to that of 1972-73 because of supply constraint due to shortfall in production caused by power shortage and strike.

Tea : Exports of this important traditional item have declined from Rs 120.1 crores during April-December 1972 to Rs 115.5 crores during the period under review. The decline has been witnessed both in terms of quantity and value. Towards the end of the year an increase in the unit value has been noticed and value of exports for the year as a whole is estimated to be higher than in the preceding year.

Sugar : Exports at 141,000 tonnes valued at Rs 21.8 crores were substantially higher than the value of exports in April-December 1972. This was helped both by an increase of 76% in quantity and over 26% in unit value realisation. In the second half of the year, there has been further advance in the export unit value of sugar.

Engineering Goods : Value of exports at Rs 122 crores was about 18% higher than in the same period of 1972. The total for the whole year 1973-74 is expected to reach Rs 175 crores as the rate of shipment had picked up in the last quarter of the year.

Leather and Leather goods: Export performance in this group of items was a mixed one. The traditional item like EI tanned hides and skins showed a decline in value, due to a fall in quantity though the unit price increased. Chrome tanned, another semi-processed item showed a decline in quantity but increase in value as rise in price offset the fall in quantity. There was substantial increase in the unit value of chrome tanned leather and EI tanned leather. The increase in the unit value of finished leather also was high. In an effort to conserve the supplies of raw material i.e. semi-processed hides and skins required for the production of leather and leather goods as a deliberate policy, measures have been taken to restrict the export of semi-processed hides and skins, by levying export duty and by placing quota restrictions. On the other hand, steps are being taken to provide facilities for expanding production capacity in the leather and leather goods manufacturing and footwear industry.

Direction of Exports

The first nine months of 1973-74 witnessed a sizeable increase in exports to ECM (including UK) and ECAFE region with an increase of about 36 per cent in each case. Within the ECAFE, our exports to Japan increased by 59 per cent. India's exports to Gulf countries (Members of OPEC) during April-December 1973 were more than 31 per cent higher than the corresponding figures for 1972. The absolute figures of exports to the main region during April-December 1973 compared to April-December 1972 are given below (Table III).

TABLE III

Direction of Exports

(Value in Rs crores)

Region	April-Dec. (9 months)		Percentage increase or decrease	1972-73 (12 months)
	1972	1973		
1. ECM (enlarged)	297.1	403.1	+35.7	407.7
2. ECAFE	351.1	478.8	+36.4	558.1
3. North America	229.8	264.1	+14.9	303.9
4. East European countries	342.0	354.4	+ 3.7	469.7
5. Africa	77.6	70.4	—9.3	101.1
6. Gulf countries (OPEC)	59.0	77.8	+31.7	72.9

Lending Rates of Commercial Banks

(Per cent per annum)

	Earlier rate	Rate effective July 23, 1974	Remarks
A. Minimum Lending Rates			
1. General Lending Rate	11.0	12.5	
2. Selective Central Rates.			
(a) Foodgrains	13.0	15.0	For all parties other than those exempted such as Food Corporation of India.
(b) Oilseeds	13.0	15.0	
(c) Major vegetable oils and vanaspati	13.0	15.0	
(d) Cotton and kapas			
(i) To mills in respect of raw cotton stocks for which they are entitled for the benefit of lower margin as special in the directive	12.0	14.0	
(ii) Advances to mills not covered by (i) above and to parties other than cotton mills	13.0	15.0	
(e) Sugar factories			
(i) Free sale sugar released by government of India for sale	13.0	15.0	
(ii) Free sale sugar not released by government	12.0	14.0	
(f) Parties other than sugar factories	13.0	15.0	
(g) Cotton textiles (traders, dealers, agents)	13.0	15.0	
Bill Finance Rate			
(a) Drawers' Bills	9.5	11.0	
(b) Drawees' Bills	11.0	12.5	
B. Ceiling Lending Rates			
Export Credit Rate			
(i) Other than on deferred payment terms	9.0	10.5	With interest rate subsidy of 1½ per cent.
(ii) On deferred payment terms	7.0	7.0	
C. Fixed Lending Rates			
Food Proucurement Credit			
(a) Food Corporation of India	9.0	11.0	
(b) State governments/agencies	9.0	12.0	

Rates of Interest Payable on Deposits by Commercial Banks

Class of Deposit	Rate of interest		(Percent per annum)
	1-4-1973@	1-4-1974@	23-7-1974
1. **Saving Accounts**	4.0	5.0	
2. **Fixed Deposits**			
(1) 15 days to 45 days	2.75	3.0	3.0
(2) 46 days to 90 days	3.25	3.5	3.5
(3) 91 days to less than 6 months	4.75	5.0	5.5
(4) 6 months to less than 9 months	5.25	5.5	6.0
(5) 9 months to less than 1 year	5.25	6.25	7.0
(6) 1 year to less than 2 years	6.0	6.75	8.0
(7) 2 years and above and up to and inclusive of 3 years	7.0	7.25	above less than 3 years.
(8) Above 3 years up to and inclusive of 5 years	7.0	7.75	9.0
			3 years and above and upto 5 years.
(9) Above 5 years	7.25	8.0	10.0

No interest except with the prior approved of the Reserve Bank of India, is payable on current accounts, deposits up to 14 days and deposits subject to withdrawal of repayment by notice for a period of 14 days or less.

@Scheduled commercial banks with demand and time liabilities up to Rs 50 crores were allowed to pay an additional interest of between ½ and ¼ per cent per annum, on all classes of deposits bearing interest up to 22-7-74. This concession is now withdrawn.

£With effect from 23-7-74, banks with demand and time liabilities below Rs 10 crores are allowed to pay an additional interest of 0.5 per cent per annum on savings deposits only.

1974

Unfair to frogs

MR K.B. LALL, our ambassador to the European Economic Community, was recently re for official consultations and he spent some three weeks in discussions with the rious ministries, particularly the ministry of External Affairs and the ministry of reign Trade. Mr Lall returned to Brussels last week-end and before he left he imed that he was listening for the most part during his stay in New Delhi. He s however the knack of seeming to be listening while, actually, he may be doing e talking. This need not of course be held against him because he is a man of new d bold ideas and even when he is trying to sell something, he usually has merchan-e which is worth selling or indeed being bought. In his own witty way he indicat- that attempting to sell ideas to New Delhi could not exactly be a preferred way of ending time for an *ex-officio* expatriate like himself visiting his home town after me interval. Mr K.B. Lall used the phrase "frog-in-the-well" to suggest the situa-n. But then he was clearly being hard on frogs. In these days, when frogs' legs e such a hot export item, it is a wise frog that keeps to its well. The question is ether there is this amount of wisdom in New Delhi.

In fairness to frogs we would certainly quarrel with the figure of speech Mr Lall ose, but we would agree wholeheartedly with the underlying idea. His contention at New Delhi is more disposed to be oppressed with problems and difficulties of the nomic situation, international or domestic, than the possibilities and opportunities at do go with the challenges of this situation is one hundred per cent valid. As he inted out, countries with high managerial abilities are not only not inclined to let emselves go under but are using their imagination and their expertise not simply to ake the best of a bad situation but to wring the utmost advantage out of the pre-iling context of international trade and economic relations in which money is abun-ntly available if one knows where to look for it and markets are responsive if one ows how to explore them. It is indeed sad that while our prime minister, Finance inister and even our minister, so to speak, for population (Health and Family anning) are almost mechanically lecturing the affluent countries on sharing their ealth or resources with developing economies, the government of India itself should ve been so wanting in ideas and effort where its utilization of available external re-urces is concerned.

For instance, whether it is the question of the normal payments facilities or the ecial Drawing Rights of the International Monetary Fund, the recently evolved con-pt of compensatory payments for countries hit hard by adverse terms of trade or, ost important of all, the oil money in the Gulf and elsewhere seeking investment orld-wide, New Delhi should surely have the sense to realize that it is the early bird at catches the worm. It is true of course that, in the matter of developing trade and rger economic relations with Iran, the government of India has been acting with mmendable vigour and it is to be hoped that the planned visit of the Shah to this untry early next month would help to promote further initiatives as well as specific ogrammes of action in this field. But even here it must be recognized that to nclude a deal with Iran for large exports of cement is one thing and to ensure that ese exports come out of additional domestic production, as, indeed, they should, is nother. While it is true that, up to a point, India may be compelled to export even it of its scarcities, it is obvious that in the matter of materials such as cement, if ditional exports are not accompanied by additional production, this country will be tomatically adding to its unemployment problem.

This is perhaps why Mr Lall is so emphatic that a massive export drive which the orld situation permits should be a part and parcel of a strategy of sufficient imports vital inputs for industry and agriculture and an all-out production drive within the untry itself. It is important that, since the scope for India, whether at the govern-ent level or through its business men, making large direct deals of trade or industrial llaboration with petroleum exporting countries is restricted by various factors, New

eastern ECONOMIST

SEPTEMBER 13, 1974

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Delhi should conceive in bold terms and execute with the utmost competence a programme of tying up Indian production as well as know-how and technical skills with major projects which business men from the United States, the various West European countries or Japan may be executing in Iran or other Persian Gulf countries as principal contractors. The industrialized counries should certainly welcome supplies of labour-intensive semi-manufactures and manufactures from India as well as skilled Indian technical personnel for the large industrial facilities they are or will be setting up in the oil-rich areas. Although it is commonly believed that a frog in a well can have only a limited vision of the outside world, frogs have this anatomical advantage that their eyes are set high on their skulls so that they can take in the view quite a bit even without turning their heads or craning their necks. In comparison, then, with frogs, whether inside wells or outside, New Delhi has a lot to make up for if it is to make good at all.

Drug scandal

THE WORST fears of some of us seem to be coming true. To the many critical shortages plaguing the people is being added a fast-aggravating scarcity of essential drugs or their formulations. In the past, when the modern pharmaceutical industry was still growing, pharmaceuticals were often priced high, especially where newly introduced drugs were involved; and there might have been occasions also when some drugs were not readily available. But, by and large, production was catching up with needs and the marketing network was also being built up fast, at least in the urban areas. For some time now, however, there has been a new and adverse trend. The supply of pharmaceutical preparations is not only not expanding sufficiently but the production of some essential drugs seems to be declining; in not a few cases, manufacture has been even suspended or stopped.

For this state of affairs three factors seem to be largely responsible. First comes the scheme of price regulation which evidently makes it attractive for pharmaceutical firms to step up production in certain lines at the expense of expanding or even maintaining production in other lines. Secondly, the canalization of imports of basic drugs through the STC seems to be creating a bottleneck for the manufacturing activities of the pharmaceutical industry. Finally there is the government's generally unhelpful attitude towards the expansion of capacity in the organized sector of the pharmaceutical industry and, in particular, by firms with substantial foreign collaboration. The imposition of restraint on dividends may be causing additional difficulties in this respect. It is therefore clear that if the government does not want to precipitate a man-made crisis in the availability of essential medicines, it will have to work out immediately a positive and practical policy for increasing production of much-needed drugs or their formulations.

Meanwhile it could be suggested that one way of bringing about an increase in the production of essential or useful pharmaceutical preparations would be to discourage the highly remunerative production of patent medicines of doubtful utility. It is a well-known fact that, through high-pressure advertising, the consumer is being inveigled by many pharmaceutical firms into spending his hard earned money on products which are often worthless. Unfortunately, neither advertising agencies nor the advertising departments of newspapers or popular periodicals seem to consider it part of their social obligation to exercise some check over the tall claims which are made for patent medicines.

In the United States, the Food and Drug Administration is reported to have begun a massive inquiry into patent drugs following a survey of the five-billion-dollar market which revealed widespread misconceptions about and overuse of laxatives and vitamin pills. Only 25 per cent of a sampling of 400 drugs were judged to be effective for the claims made. The US Federal Trade Commission, it appears, has proposed that the manufacturers of bufferin, anacin, and Bayer aspirin should spend up to $ 20 millions in corrective advertising to amend claims made in previous advertisements. It has also been reported that, in a test case, the makers of listerine mouthwash have been charged with falsely claiming that the product will help in the prevention, cure or treatment of colds.

According to *The Guardian*, when the Consumers' Association in Britain looked at the advertising of a number of leading proprietary drugs two years ago, it could pinpoint several instances of the employment of half-truths or deceptive phrases in the selling of proprietary or branded preparations. It was found, for instance, that there was no evidence that Sanatogen would do anything at all except as a placebo, although it was claimed to be able "to relieve depression, irritability and insomnia—all symptoms of nerves." Phillips tonic yeast, which claimed to make one "feel a new person, younger, fitter, full of zest" was judged to be virtually worthless to anyone not suffering from vitamin B deficiency. Phyllosan's claim that its iron ingredients, "can help you keep your youthful muscle tone and your youthful vigour" was reckoned to be without any basis except for those suffering from anaemia. The claim made for fynnon salt, that it brought relief from rheumatic pain, was also reported to be unsupported by clinical evidence. .

One has only to skip through the pages of the newspapers or popular periodicals in our country to realize that outrageous claims are being made for aspirin preparations, vitamin pills and a whole host of other proprietary or patent medicines. The situation is made worse by the fact that quack remedies are being advertised with the utmost abandon by persons claiming to practise indigenous systems of medicine. There does not seem to be any agency, official or voluntary, in our country to ensure even minimum protection to the public against such wanton exploitation of the weakness of men and women to believe that health or long life could be purchased at a chemist's shop at the price of a packet of gaily coloured pills or a bottle of pleasantly flavoured liquid advertised in

erbolic language in some newspaper magazine. Is seems to us that one y of ensuring that the pharmaceutical ustry is firmly kept to its legitimate siness of manufacturing and marketing ential drugs or formulations is to ke it as difficult as possible for phar-ceutical firms to make big money the easy way by overselling the public on patent medicines or proprietary preparations for which claims are made without adequate clinical evidence. Clearly the central Health ministry as well as the Public Health departments of state governments have some responsibilities towards the public in this context.

Sugar sweetens trade

HE SUGAR industry is making history by ming to the rescue of the country in a fficult year of balance of trade, with ceable foreign exchange earnings of me Rs 300 crores through exports in 74-75. Such a boom in the inter-tional trade in sugar has not been wit-essed at any time in the recent past id the quotation at £ 310 per tonne at e end of August affords a rupee price hich is even higher than the fantastic uotation that is now prevailing in the ain marketing centres in different states. is important to remember in this con-ection that the rate of Rs 550 per quintal or open market sugar on August 31, 974 was inclusive of the excise duty of s 108.75 per quintal on the basis of a ariff value of Rs 290 per quintal. With ales of sugar out of the free quota hav-ng been effected by many factories at ven Rs 440 per quintal ex-factory ex-lusive of excise duty the central gov-rnment has raised the tariff value for urposes of levying the ad valorem ex-ise duty to Rs 305 per quintal. This will result in the quantum of excise duty ising to Rs 113.87 per quintal. It s expected, naturally, that open market prices will rise further if there is no in-crease in the quantum of release of sugar for October. Even if ex-factory sales could be effected at Rs 450 per quintal and above, exports would still be more profitable.

The government has naturally been anxious to maximise exports and secure full advantage out of the world boom in sugar by even restricting releases for internal consumption. With an acute shortage of ready supplies the State Trading Corporation has concluded large contracts for effecting shipments to west Asian countries, south-east Asia and elsewhere. In the first ten months of the current crushing season despatches for export had been effected to the extent of 328,000 tonnes and it should not be difficult to send out another 350,000 tonnes taking the total to 678,000 tonnes for the whole financial year. In that event, it will be possible even to earn foreign exchange of Rs 325 crores enabling the industry to top the list of exports. With the prospect of an increase in the value of exports by Rs 275 crores as compared to 1973-74 sugar will be financing nearly 50 per cent of the increase in the import bill in respect of crude oil and petroleum products. If it were not for the compulsion to import sizeable quantities of foodgrains, the challenge posed by higher oil and allied imports could have been easily met.

In view of the likelihood of the world demand for sugar remaining at a high level, and the prospect of satisfactory prices being realised in 1975-76 as well, the sugar industry has assumed new importance and every effort has to be made to boost production substantially in the 1974-75 crushing season. In the current season ending with September the output of sugar is estimated at 4,000,000 tonnes, actual production in the first ten months ending July being 3,905,000 tonnes against 3,803,000 tonnes, in the same period in 1972-73. With many mills in the southern region making arrangements to crush large quantities of cane in September and increased capability of mills in Karnataka, it can be safely expected that the 4,000,000-tonne mark will be comfortably surpassed in 1973-74. This level of production is the next best after the all-time record of 4,261,000 tonnes established in 1969-70. There is nevertheless a complaint about a shortfall of 500,000 tonnes over the target of 4.5 million tonnes fixed earlier this year. It has not been possible to achieve this target because of drought conditions in Maharashtra and the standing crop being affected in UP, Bihar and Haryana on account of pyrilla disease. It is now expected that UP and Bihar will be producing only about 1,525,000 tonnes, Maharashtra 1,000,000 tonnes and the three southern states 1,073,000 tonnes with Tamil Nadu alone contributing as much as 463,000 tonnes. It is significant to note that the increase in the share of Tamil Nadu of 133,000 tonnes is more than the increase in all-India output. The shortfall in production of UP, Bihar and Maharashtra has also been

Eastern Economist 30 Years Ago

September 15, 1944

There appear only two exceptions to the general trend of the larger towns to grow larger in proportion between 1931 and 1941, mainly in categories 5,000 to 10,000 and those over a million. The first exception is easily explained by the fact that a large proportion of these consist of really rural areas that have tipped over from the below 5,000 group to the next one with a slight increase in their population during the decade. The growth of the two largest towns was held in check for the want of land to build houses, and most of the increase in the category occurred in Calcutta, which had a greater freedom to spread out than the island city of Bombay.

The urbanisation during the decade is mostly attributable to industrial development; Ahmedabad, Cawnpore and Lahore, that are in the "400,000 to million" group, show phenomenal increase in population owing to new industries. Karachi, Nagpur, Bangalore, Jamshedpur and such industrial centres show marked increase in the group 100,000 to 400,000, while the relative stagnation in non-industrial towns like Benares and Patna marks a contrast.

ade good by Karnataka and Andhra Pradesh. But for the adverse developments in some producing areas it should not have been difficult to beat the record of 1969-70.

The utilisation of sizeable quantities for export has necessarily been reflected in reduced releases for internal consumption. Even so, the internal offtake will be little over 3.5 million tonnes for the current season on the assumption that the special release for the festival season if at all will be in October. With exports accounting for nearly 500,000 tonnes the whole of the 1973-74 output will be absorbed and the carryover of 843,000 tonnes from the last season may remain in tact at the end of September. With this fairly comfortable position any difficulty that may be experienced in October and November can be overcome and shipments maintained at the rate of 75,000 tonnes per month against outstanding contracts.

The authorities are reported to be thinking of effecting exports of 100,000 tonnes out of the quota for free sale and giving an opportunity to the industry to get a portion of the profits now being realised by them by accepting tenders. Even then, the government will be having a sizeable margin between the export price and the rate at which tenders will be accepted. There is naturally a feeling that the government has made huge profits on exports at the expense of the industry and it should have been permitted to effect direct sales to overseas consumers, for at least 50 per cent of total exports or get the full benefit out of export sales effected through the State Trading Corporation on a stipulated basis.

The central exchequer will certainly be having a windfall profit of Rs 150-175 crores on sugar exports though it has not been disclosed at any stage by the Finance ministry how this profit that will accrue to the exchequer will be utilised. Presumably some adjustments in this regard will have to be made between the State Trading Corporation and the ministry of Agriculture. In any case the fact cannot be disputed that central revenues will benefit considerably from this source. While this advantage will be greatly welcomed at a time when the centre's resources position is severely strained and the foreign exchange earning will be very helpful in financing to a significant extent the additional cost of imports, what is more important is how successful arrangements will be completed for boosting production to 4.5 million tonnes in 1974-75. The four tropical states can be depended upon to produce even 2.25 million tonnes as many units in Tamil Nadu will be utilising fully their expanded facilities while two new units in Karnataka will be in full operation. It is also hoped that Maharashtra will be able to regain the lost ground. The producing regions other than UP and Bihar may provide another 400,000 tonnes. This will leave a share of 1.85 million tonnes for UP and Bihar which, while representing an increase of 300,000 tonnes over 1973-74 will still be less by over 100,000 tonnes when compared to 1969-70. This will indeed be a difficult task for the two main producing states in north India.

It is however felt that the challenge can be met if the government takes an early decision in regard to the fixation of minimum price for cane and announces also a more liberal scheme for the grant of rebate in excise duty in respect of excess production. There has necessarily to be an increase in the minimum price for sugar-cane and therefore in levy prices for sugar as the open market prices of competing crops such as wheat and rice have risen sharply in recent months. There has also been a big rise in the cost of cane cultivation because of costlier inputs. The government stands to gain by according liberal treatment to this vital industry in the present context. The states too should be prepared to waive the cess or purchase tax on cane during summer months. If a really helpful policy is not adopted there is every danger of a diversion of area under cane to other crops which may have a prejudicial effect on the operations of the industry in 1975-76. Even in the current season diversion of cane for conversion into gur and khandsari can be prevented only if sugar mills can compete effectively with other producers for available supplies. It should not also be overlooked that internal consumption has been curtailed and exports of 600,000 tonnes can again be repeated in 1975-76 only if there is internal availability of at least 3.9 million tonnes. There is therefore no time to be lost in arriving at sensible decisions.

Cost of foreign capital

AT A RECENT press conference in the capital, Mr R. S. Bhatt, chairman of the Indian Investment Centre (IIC), stated that a cost benefit study of foreign investments and technical collaborations was proposed to be undertaken by the Centre. It was rightly expected by him that such a study would go a long way in providing useful data to policy-makers in taking vital decisions both on foreign investments and technical collaborations. Interest in this subject had been evinced in the past by a number of research institutes and some work on it had already been completed. The latest contribution was from the Economic Department of the Reserve Bank of India (RBI) which in the Bulletin for June 1974 had set out a survey of foreign financial and technical collaboration in industry for the period 1964 to 1970. This analysis was in continuation of the first RBI survey covering the period from April 1960 to March 1964, and published in 1968.

Private foreign investments were made either through branches of foreign companies (controlled by boards of directors appointed by the foreign interests) or through subsidiaries which were incorporated in this country and had majority control by foreign companies. There were some companies in this country wherein foreign interests had a majority control. According to data collected by the RBI through quarterly surveys of foreign investments, branches of foreign companies held nearly one-third of the direct foreign investments (Rs 224 crores) while the subsidiaries held the balance (Rs 511 crores). In addition there were technical collaborations for which technical fees and royalties were paid.

The latest RBI survey covered 877 companies of which 197 were subsidiaries 433 minority participation and 247 pure technical collaboration companies. The

number of collaboration agreements was 1098 out of which 167 related to subsidiaries, 489 to minority companies and 442 to pure technical collaborations. Included in the survey were 41 government companies which had 163 collaboration agreements.

Great concern has very often been exhibited in this country regarding the impact of collaboration agreements on our balance of payments, especially the outflow of funds through dividend and technical collaboration remittances and payments to foreign technicians in foreign currencies. The RBI survey showed that dividend remittances claimed a high proportion of the total payments (see Table I) though the total outflow was not unduly large. Between 1960 and 1964, the dividend remittances averaged Rs 15.00 crores a year; they rose to Rs 24.38 crores a year between 1964 and 1970. The technical collaboration fees and payments to foreign technicians in foreign currencies rose from Rs 11.55 crores a year in the period 1960-64 to Rs 16.21 crores a year between 1964 and 1970. In the decade under review, the total outflow in the form of dividends, technical fees and salaries came to Rs 143.48 crores.

It would be wrong to measure the impact of foreign collaboration on our economy in terms of remittances alone. Encouragingly, a more meaningful exercise was attempted by the RBI by drawing up a balance sheet of net outflow of foreign exchange for the period 1964-74. It covered imports, exports, remittances of royalty, dividends, interest charges and technical fees, payments of foreign technicians in foreign currencies, foreign loan receipts, repayment of foreign loans and the net inflow of foreign equity for private sector companies (including purely technical collaborations), subsidiaries and minority companies (see Table II).

Chiefly because of imports and dividend remittances, the net effect was a significant outflow of funds in the six-year period ending in 1969-70 i.e. Rs 891 crores for private sector companies which included Rs 569 crores for subsidiaries and Rs 115 crores for minority companies. And the reason for this was not far to seek. As stated in the RBI survey, "these

TABLE I

Remittances by Private Sector and Government Companies with Foreign Collaboration*

(Rs lakhs)

Year.	Dividend remittances	Technical collaboration remittances	Payments to foreign technicians in foreign currencies	Total technical remittances (2+3)	4 as % of 1
	(1)	(2)	(3)	(4)	(5)
1960-61	11,38	9,03	3,07	12,10	106.3
1961-62	14,14	8,83	2,13	10,96	77.5
1962-63	18,35	8,09	2,38	10,47	57.1
1963-64	16,11	9,50	3,18	12,68	78.7
Total 4 years	59,98	35,45	10,76	46,21	77 0
Average for 1960-64	15,00	8,86	2,69	11,55	77.0
1964-65	20,33	7,69	1,56	9,25	45.5
1965-66	19,50	10,16	1,95	12,11	62.1
1966-67	22,66	14,24	2,86	17,10	75.5
1967-68	26,58	13,33	3,51	16,84	63.4
1968-69	26,87	16,22	3,61	19,83	73.8
1969-70	30,32	18,31	3,83	22,14	73.0
Total 6 years	1,46,26	79,95	17,32	97,27	66.5
Average for 1964-70	24,38	13,33	2,89	16,21	66.5

*These data differ from data on similar items made available for the balance of payments compilations owing to differences in the coverage of the number and type of companies included and in the types of remittances. The figures given here relate to payments made by the companies included in the Survey to the other (collaborating) companies but exclude remittances to non-resident individuals; in the balance of payments compilation both types of remittances are covered. Secondly, for government sector, only corporate public sector enterprices are included in the Survey and not the departmental undertakings remittances of which are also included in the balance of payments data. Thirdly, balance of payments data also include certain technical remittances which do not arise from technical collaboration agreements as such but are in the nature of professional fees paid for various types of services rendered.

TABLE II

Net Inflow/Outflow of Foreign Exchange for Selected Items (6-Year Period)

(Rs crores)

	Private sector companies*	Subsidiaries	Minority companies
Net position of selected items†	— 891	—569	—115
of which			
(i) Imports	—1660	—749	—504
(ii) Exports	+ 729	+248	+332
(iii) Dividend remittances	— 145	—116	— 29
(iv) Loan receipts	+ 260	+ 38	+181
(v) Repayment of loans	— 128	— 19	— 78
(vi) Interest payments	— 57	— 6	— 43
(vii) Net inflow of equity capital	+ 110	+ 62	+ 48

*Inclusive of PTC companies not shown here separately.

† These items are imports, exports, remittances of royalty, dividends, interest charges and technicel fees, payments to foreign technicians in foreign currencies, foreign loan receipts, repayments of foreign loans and the net inflow of foreign equity.

companies are engaged mostly in production which is oriented more towards import substitution than export promotion." As a matter of fact, the collaborations entered into in the fifties and sixties were designed to reduce the burden on foreign reserves by manufacturing those products in the country which used to be imported earlier. The accent on production inflated the bill of imports both for machinery and raw materials. Enough surpluses in output were not generated to allow for increased export earnings.

Also, the contribution of foreign collaboration companies would need to be assessed in several other ways including production, employment opportunities and import substitution leading to reduced burden on the balance of payments. Then there were intangible assets such as the import of technology. It would be impossible to evaluate these assests in money terms as they were in the form of "stored information, personnel skills and corporate knowledge and skills,"

It is worth recalling the conditions under which the assistance of foreign companies was sought. Back in 1953, the late T. T. Krishnamachari, then central minister for Commerce and Industry, had said in the Lok Sabha: "The wheels of industry, no matter who owns them, must be kept moving. Our own capital resources are very limited and although our preference is in favour of Indian capital, we must be prepared to use foreign capital in developing industrial production". Even at that time, a demand was made by leftist elements in the Lok Sabha that the remittance abroad of dividends should be stopped. Krishnamachari, however, retorted that "if we were to stop the remittance of dividends, then we might as well be driven to sequestrate the payments of dividends to Indian shareholders also".

Notwithstanding the gain of tangible and intangible assets from foreign collaborations (both financial and technical) foreign firms had been subjected to severe criticisim especially because the burden on the balance of payments through remittances started increasing year after year. The manufactureres of consumer goods for which no sophisticated technical know-how was necessary and trading firms came under a heavy barrage of fault-finding. Consequently, the Foreign Exchange Regulation Act, 1973, was passed primarily to supervise the activities of foreign firms and to make them dilute the share of foreign equity. The branches of foreign companies, subsidiaries and the minority companies (foreign equity more than 40 per cent) were required to apply to the RBI up to the end of August 1974 for permission to continue their activities in this country. Surely, it would take the RBI a few months to scrutinise all the applications. In the central ministry of Finance, a special committee had been set up for this purpose. In the meantime, foreign companies were slowly taking steps so as to reduce the share of foreign capital by extending the capital base. The review of their cases would not scare them away as the government's policy was still in favour of attracting private foreign capital an technical know-how in highly technica areas. The number of collaboratio agreements entered into in the first qua ter of 1974 at 113 was a sure indicator o the fact that foreign companies wer keen to enter this market in regard to th manufacture of sophisticated equipmer and were not in any way hampered i this effort by the provisions of the Foreig Exchange Regulation Act.

This was also the view of Mr R.S. Bhat who stated at the press conference, men tioned above, that the climate for privat foreign investment in this country wa not unfavourable. He referred to th expeditious disposal of licence applica tions by official agencies and the fairly reasonable guidelines under the Foreig Exchange Regulation Act which, in hi view, should dispel any misgivings in the minds of overseas investors.

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ROM THE CAPITAL'S CORRIDORS

V. Balasubramanian

hen Absence Counts • Too Many Barkises • empting Triangle • Sezhiyan Scores a Bull's Eye

THE time of writing, Lok Sabha has just ated (on the last day of its current ses-n) an opposition motion demanding a liamentary probe into the import nce issue in which the names of 21 ngress members of the House had red. A similar motion, however, is to ne before Rajya Sabha before it ad-ns *sine die* later his week. I am efore deferring comment on the sub-to the next issue of this journal.

M's absence

Meanwhile I would like to refer to the that the prime minister did not find ossible to be present in the House when Lok Sabha debated the motion on Sep-ber 9. She had however written to the aker that a prior public engagement, ing her away from New Delhi, would ne in the way of her being present during debate on the relevant date. There was eral appreciation among members of liament that since this session had been ended unexpectedly, it was quite natural t appointments made for the prime nister, perhaps weeks in advance, were ficient explanation for her not being e to be present in the House even en such a controversial issue of high olic importance as this import licence ir was being debated.

Nevertheless, there were a few members parliament who were clearly disposed be critical of Mrs Gandhi's absence m the House during this debate. Their evance cannot perhaps be dismissed as easonable. After all, on the day in estion, the programme which had taken to Madras had only required of her t she should participate in two public functions, one of which was the inauguration of the silver jubilee celebrations of Bal Mandir (a children's home) in that city and the other the convocation at the Indian Institute of Technology at Guindy in the suburbs. Surely it could have been easily arranged that her speeches at these two functions were delivered *in absentia*. Mrs Gandhi no doubt utilized the day to the full by addressing an assembly of her party workers and also a large public meeting. Nevertheless, since her Madras programme had been fixed for two days, the 9th and the 10th, she would still have been able to devote one day for mending her party's political fences in Tamil Nadu even if she had attended the Lok Sabha debate on the 9th and left for Madras on the 10th. In the circumstances, some members of Parliament cannot be blamed if they feel that, having agreed to this debate on the licence issue against her wishes, the prime minister was obviously not over-keen on re-arranging her Madras programme to make it possible for her to be present in the Lok Sabha on September 9.

brisk politicking

The Indian Institute of Technology is no doubt an esteemable institution. Equally clearly, the *Bal Mandir* is a worthy cause. All the same, the preoccupations of the prime minister's programme in Madras could hardly have been mainly educational or sociological. Mrs Gandhi's visit to Madras has been timed to coincide with some very brisk politicking among parties in Tamil Nadu. The DMK leader, Mr Karunanidhi, had the fright of his life recently when soaring rice prices prompted mass anger with his government. He realized readily enough that his and possibly his party's tenure in office was suddenly in mortal danger. Defections to the ADMK have been following a "stop-go" course, but Mr Karunanidhi knows well enough that costly rice could mean less 'stop' and more 'go'.

winning friends

In an attempt to shore up his party's electoral appeal, the chief minister has restored prohibition and proposed to ban horse racing. These measures are supposed to be useful in influencing women and winning friends among the female of the species, especially across the wide ranges of the middle, the lower middle and the poorer sections of the community. Some observers have interpreted these potential vote-winning devices as an indication of the chief minister's plans for holding snap election. The current state of the opposition parties in Tamil Nadu may well tempt the ruling DMK and its leader to do precisely this. Although the ADMK does have a fairly broad mass base—which is also the most effective, certainly, so far as the opposition groups are concerned—it seems to have concluded that even it cannot go it alone against the DMK with sufficient hope of success. It follows that other opposition parties must be feeling much more diffident about being on their own.

The following which Mr Kamaraj inspires is no doubt intensely loyal, but it is not correspondingly extensive. His leadership disposes of more active workers than committed followers and more committed followers than potential vote-givers. Mrs Gandhi's Congress in Tamil Nadu no doubt has a formidable asset in her demagogic appeal which is perhaps stronger than either Mr Karunanidhi's or Mr Ramachandran's, but is also its only asset. There is no good enough local organizer

of victory for her in Tamil Nadu. As for the left parties, the CPM had long ago decided to hitch its wagon to the ADMK star, while the CPI has chosen to tie itself to the apron strings of Mrs Gandhi's party. Most of the various fringe groups in Tamil Nadu politics, having profitably clambered up the DMK band wagon, presumably see no reason yet to jump off. As for Swatantra, it has been reduced to a rump of bits and pieces. In the circumstances, although Mrs Gandhi may pretend to turn up her nose on merger propositions in Tamil Nadu, her present Madras visit is definitely in the nature of a quest for allies wherever she could find them.

prospective trio

Luckily for her, there are enough willing Barkises around. She can have a choice, for instance, of either Mr Kamaraj and his faithfuls or Mr M.G. Ramachandran and his cohorts. With Mr Kamaraj's collaboration her party could offer considerable but by no means formidable opposition to Mr Karunanidhi's DMK. Partnering ADMK, it could put up a formidable but not by any means a necessarily winning fight against the ruling party in Tamil Nadu. If however the prime minister could summon enough political skills to bring together under one umbrella the ADMK, Mr Kamaraj's party and her own, it may not even be necessary for these parties to wait for the next general election to unseat Mr Karunanidhi or split his party wide open. The problem here would be to persuade Mr Kamaraj to accept Mr M.G. Ramachandran as a political bedfellow, however strange. So far as Mrs Gandhi is concerned, there would be no need for her to swallow her pride. If she is allergic to the word 'merger', it should not be difficult to invent a more comforting phraseology. If Sikkim could send "associate" members to Indian parliament, suitable political label could certainly be found for an Indira-Kamaraj-MGR *menage et trois*.

I should not be reckoning without my host. While none of the opposition parties in Tamil Nadu can successfully go it alone, the DMK too is in no position to make a fetish of self-reliance. Having benefited lavishly from a gentlemen's agreement, so to speak, with Mrs Indira Gandhi at the time of the 1971 mid-term general elections, Mr Karunanidhi has been giving consistent proof of his anxiety to preserve this productive, alliance. Especially in respect of his party's attitudes and activities in parliament, the DMK leader has been anxious to keep on the right side of Mrs Gandhi and her party. It is therefore more than likely that he continues to be hopeful of achieving some kind of amity with the prime minister and her party in his party's bid to retain power in Tamil Nadu. There have been suggestions that his party may not be fully in agreement with him in his efforts to cultivate Mrs Gandhi's political friendship conspicuously. There has been quite a good deal of speculation about this in political circles both in Madras and New Delhi and the fact that the DMK group in the Lok Sabha was not present at the time of the passing of the Sikkim Bill, despite Mr Karunanidhi's directive to it to record its votes in favour of the measure, has naturally lent colour to the supposition that the DMK leadership is not of one mind over the issue of the party's relations with Mrs Gandhi's Congress.

party schism

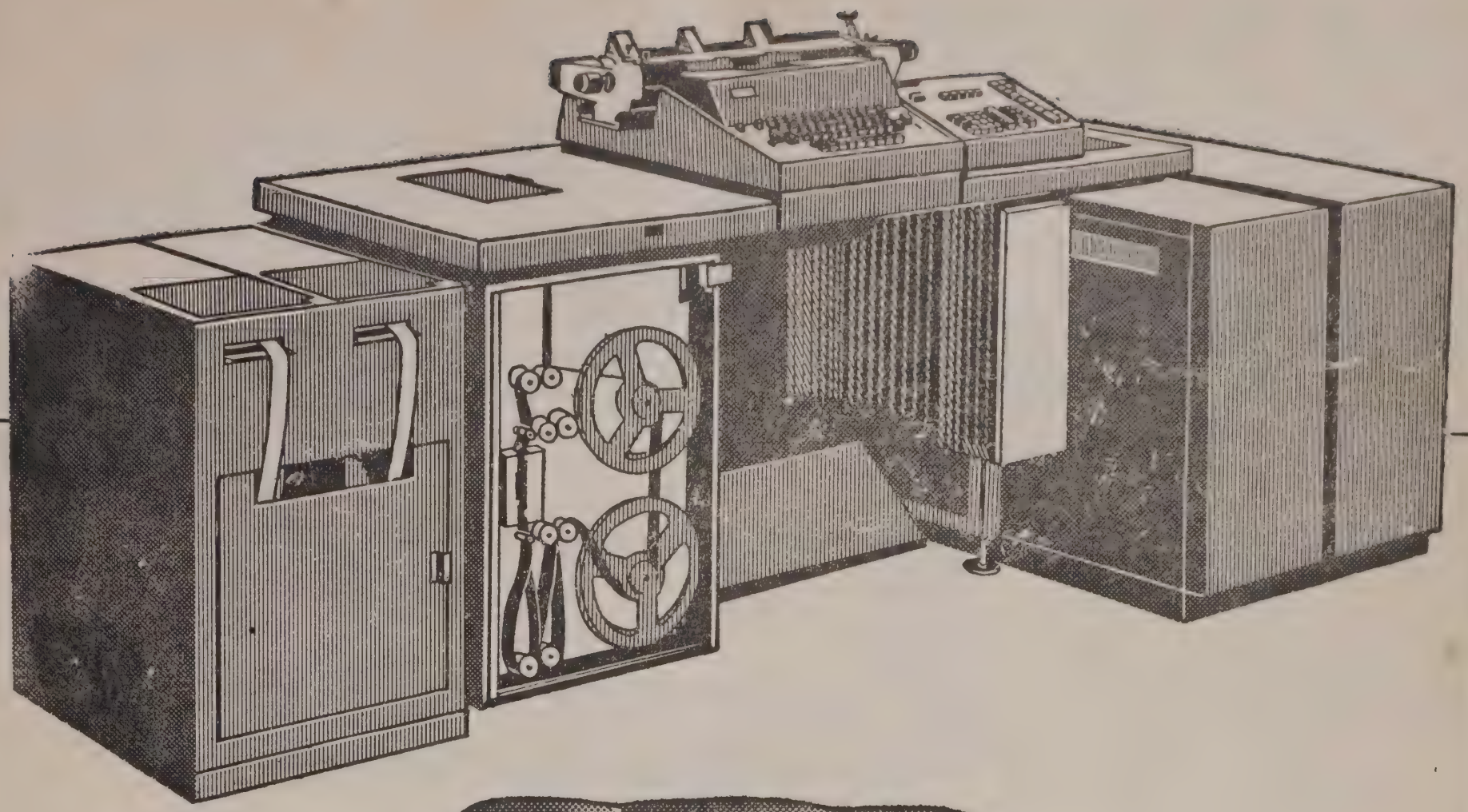
One hears several things said in this connection. There is the explanation, for instance, that some DMK stalwarts feel that their parliamentary group's support to Mrs Gandhi's government should be on the basis of the individual merits of particular occasions or cases so that neither the prime minister may be encouraged to take DMK for granted nor the DMK have its identity blurred where the public in Tamil Nadu is concerned. Another and a rather sinister inference is that Mr Karunanidhi's personal enthusiasm for the 36th constitutional amendment is related to the possibilities that he sees in Sikkim's associate status for his own propagandist plans for so-called autonomy for Tamil Nadu — an enthusiasm which, it is suggested, some of his colleagues are unable to share because they believe that the DMK's political prospects in their state may be harmed rather than helped by its persevering in appeals to separatist sentiments.

Talking of the DMK group in parliament, I am tempted to emphasize the fact that, eventful and even sensational as this session has been, its true hero may not be Mr Madhu Limaye despite his somewhat melodramatic performance on the Speaker's dais on September 5. h the quite-spoken and clear-headed M Era Sezhiyan who leads the DMK gro in the Lok Sabha. On August 31, he deft caught the treasury benches on the wro foot. When the House took up the voti on grants under the Rs 350-crore Supp mentary Budget and on the appropriati bill covering them, Mr Sezhiyan challe ged three grants which, he said, cou not be included in the supplementary d mands for grants in the current year sin they related to "excess expenditur which the government had incurred o account of decrees and awards relati to the previous financial year.

casual attitude

Both he and Mr Madhu Limaye g ample opportunities to pursue this poi on September 2 when the supplementa budget of the central government a those of the Gujarat and Pondicherry g vernments came up for consideration in t Lok Sabha. It was pointed out that, apa from the central demands for grants, t Gujarat and Pondicherry demands als included items of excess expenditure. Th situation was sorted out in the light of ruling by the Speaker that the deman for grants which were being objected should be taken out and the governme should return to the House with separa demands for grants covering the exce expenditure.

The importance of Mr Sezh yan's intervention lies in the fa that the Finance ministry seems to b falling into the habit of adopting to casual an attitude towards financial legi lation. Whether the excess demands we attempted to be passed off as supplemen tary demands out of ignorance, careles ness or by an act of deliberate decisio was, unfortunately, not bro ght out i the proceedings of the House and it ma therefore be said that, while Mr Sezhiyan admirable vigilance was rewarded to som extent, he did not score the full triump he deserved. Meanwhile the tax paye must live with the nagging thought tha although the government stubbornl claims that it is attempting all the time t discipline expenditure, in reality it seem to be building up habits of thinking an functioning even in the areas of im portant financial legislation which mus put a premium on laxity in the handlin of public funds.



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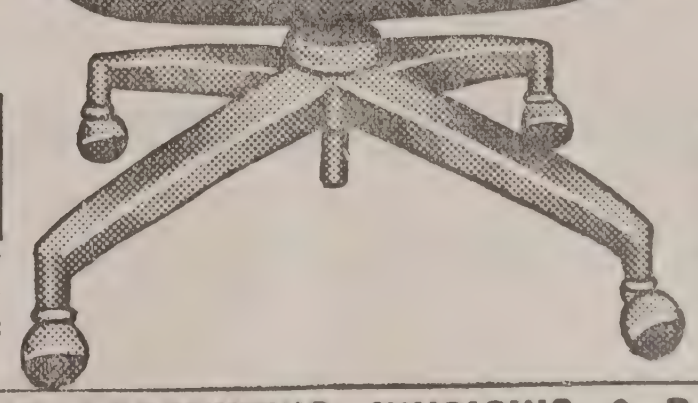
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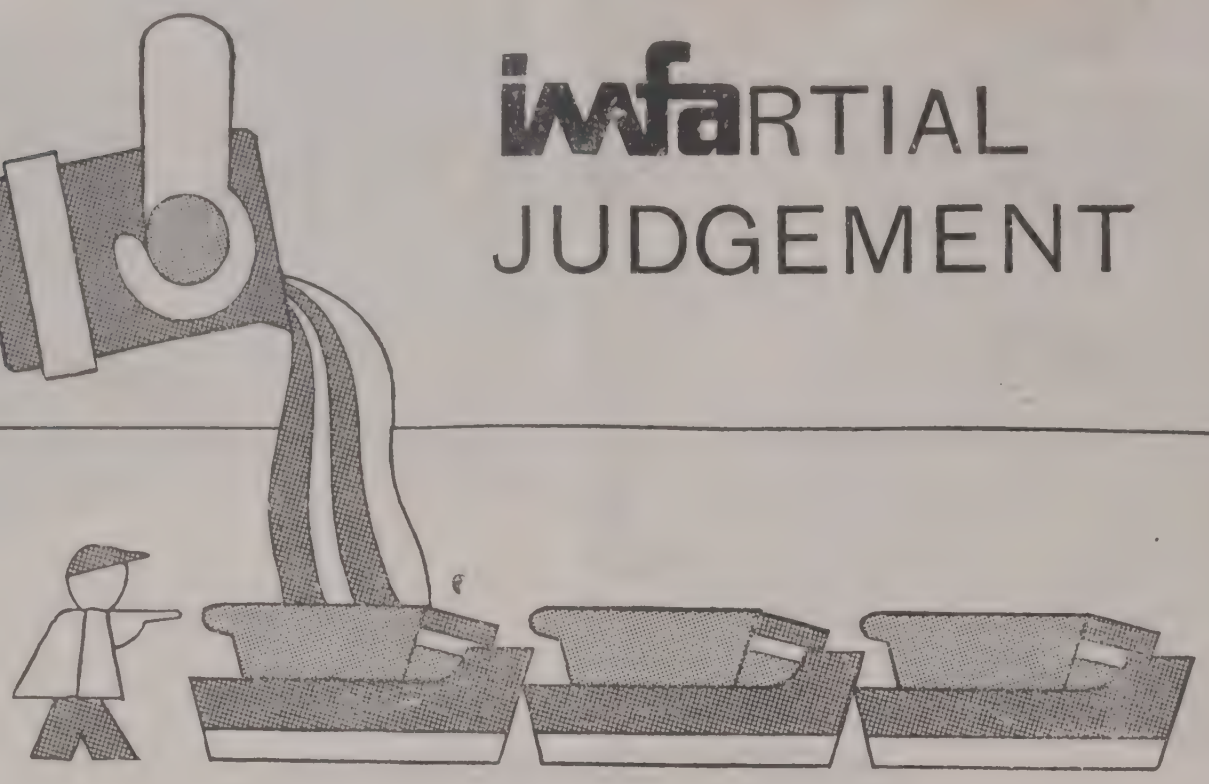
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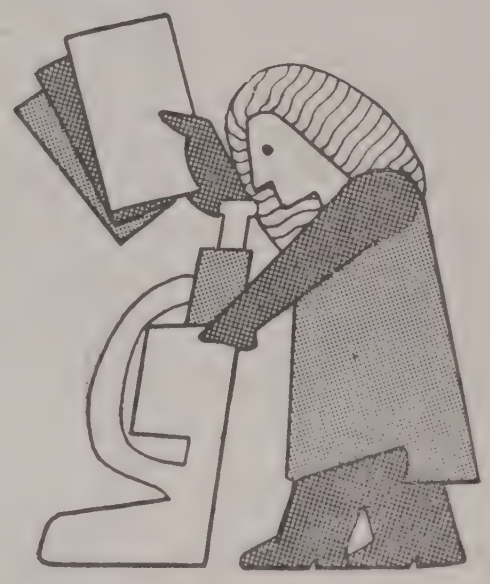
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Marginal farmers' problems and prospects

A. R. Patel

DESPITE THE fact that the marginal farmers and landless agricultural labourers occupy a predominant place in the agricultural map of our country, no planned efforts were made until very recently to chalk out schematic programmes which could enable this class of farmers to attain a reasonable standard of living. The magnitude of this multi-dimensional problem and its adverse efforts on the country's economic growth can be realised from the fact that of the 49 million holdings in our country, a little over 40 per cent are less than one hectare (2.5 acres) in size. The farmer households with less than one hectare form 34.5 per cent of the total number of households but their share in cultivated area is only 6.8 per cent.

sub-human standards

The proportion of farmers of this category of holdings in the country is the largest in Kerala (80.5 per cent) followed by Bihar, Tamil Nadu and West Bengal where 50 per cent of the farmers hold land below one hectare. The other states where their proportion is reported to be significant are Jammu & Kashmir, Uttar Pradesh, Orissa, Andhra Pradesh and Assam. To this neglected segment of the economy is again added the vast numbers of landless agricultural labourers. It is estimated that over 34 per cent of our people eke out their existence at sub-human level with a per capita expenditure of less than Rs 15 per mensem in rural areas.

Appreciable growth has been witnessed in several parts of the country as a result of the evolution and adoption of high yielding and hybrid varieties of various crops. Benefits of this growth have, however, been visible mostly in areas with assured rainfall and irrigation and a few pockets in dry farming areas. But this has not touched either marginal farmers or agricultural labourers. Consequently it has led to inequalities amongst the various economic groups in the rural areas. Marginal farmers suffer from low productivity, low income, under-employment and even unemployment for long periods over the year.

While the handicaps of such farmers differ from area to area, the major disadvantages they suffer from are fragmentation of holdings, lack of integration of credit with other services and supplies, unsatisfactory arrangement of marketing and storage; and insecurity of tenure.

The need to improve the economic and social conditions of the marginal farmers and landless agricultural labourers in our country has, therefore, in recent years assumed significant importance and attracted the attention of the government, following the recommendations of the All-India Rural Credit Review Committee, the Nariman Committee and the National Commission on Agriculture. As a result of these recommendations, some of the progressive measures initiated by the government are given below:

(i) Special programme for marginal farmers and agricultural labourers, the MF & AL Development Agency.

(ii) Assignment of lead bank districts to each of the nationalised commercial banks.

(iii) Concept of farmers' service co-operative societies.

It is necessary to analyse the nature and scope of the schemes specially tailored to benefit marginal farmers and agricultural labourers with reference to their technical feasibility and economic viability under the present-day technological development. Also, when certain specific type of constraints jeopardise the implementation of these schemes, an effective action plan and the role of special agencies that have been created for the purpose need to be crystallised.

An indepth study reveals that the Indian sub-continent represents vast, varied and versatile areas of agricultural development which can, with the aid of modern scientific technology and institutional credit, be exploited to the maximum possible advantage to our country. A few of such potential areas of development are outlined below:

(i) There are areas which have a good combination of soil and climate to suit the cultivation of a variety of crops including plantation crops.

(ii) There are areas scattered all over the country which are climatically better suited to practise subsidiary occupations such as, poultry farming, dairy farming, sheep and goat rearing, pig rearing, etc.

(iii) There are several seasonal/perennial ponds in the country which can better be exploited for inland fishing.

Recent researches on experimental plots and subsequent national demonstrations on cultivators' fields have shown that even marginal farmers may be able to secure good yields of crops and consequently good net return from their limited holdings which fall under the command areas of tube-well irrigation or river valley projects if they raise cash crop such as: (i) sugarcane in the gate area of sugar factories in such states as Bihar, Uttar Pradesh, Maharashtra, Gujarat, Tamil Nadu, Punjab, Karnataka and Andhra Pradesh; (ii) tobacco where tobacco curing barns and allied processing facilities are available in the states like Andhra Pradesh, Gujarat, West Bengal, Tamil Nadu and Karnataka; (iii) cotton where cotton ginning and pressing factories are functioning such as in Gujarat, Maharashtra, Karnataka, Andhra Pradesh, Madhya Pradesh, Tamil Nadu and Punjab; (iv) potato where organised facilities of cold storage are available as in Uttar Pradesh, Bihar, Punjab, Haryana, Himachal Pradesh, Maharashtra and Gujarat; (v) fruit and vegetable crops where fruit processing units are functioning as well as where there is feasibility of assured market-

ing in the nearby urban areas; and (vi) production of hybrid and high yielding seeds of crops where there is potential demand for this type of seed to replace indigenous seed.

Figures of cost of cultivation and gross income per hectare reported in the table below indicate that net return would accrue to the farmers to the extent of Rs 1,060 to Rs 7,500 per hectare if the essential ingredients of crop production are made available to them in time.

Economic Analysis of Different Crops

Name of the crop	Cost per hectare in Rs	Gross income per hectare in Rs	Net return per hectare in Rs
(1) Paddy IR-8	2,150	3,500	1,350
(2) High yielding dwarf wheat	1,700	4,420	2,720
(3) Hybrid and composite jowar	1,430	2,490	1,060
(4) Hybrid and composite maize	2,080	3,350	1,270
(5) Hybrid bajri	1,490	2,850	1,360
(6) Potato kufri	5,000	12,500	7,500
(7) Cotton 320-F	1,730	2,920	1,190
(8) Sugarcane	3,430	5,940	2,510

Similarly, recent researches in (i) multiple cropping system with two, three and even four crops per unit area; (ii) raising of three crops under limited water supply; (iii) cultivation of three to four vegetable crops; and (iv) dry land agriculture have added new vistas to increasing agricultural productivity per unit time per unit area and thereby have enabled the farmers to secure net return of a high order which can be confirmed from the following facts:

(i) Results of experiments conducted under multiple cropping indicated that net return per hectare accrued was Rs 5,415 in the case of double cropping pattern (maize-wheat); Rs 5,760 (mung-arhar-wheat) to Rs 6,394 (mung-maize-wheat) with three crops and Rs 8,447 (mung-maize-turnip-wheat) to Rs 10,961 (mung-maize-potato-wheat) under quadruple cropping system.

(ii) Results of experiments with farming under limited water supply revealed that raising of crops such as maize-peas-mung gave a net return of Rs 5,800 per hectare and that of arhar-wheat-mung resulted into a net return of Rs 5,332 per hectare.

(iii) Results of experiments under dry land farming revealed that a net return of Rs 824 and Rs 803 per hectare was obtained with bajri HB-5 and jowar respectively; while it was Rs 1,625 and Rs 2,443 per hectare respectively when arhar AS-5 and castor Aruna were sown.

(iv) Results of cultivation of vegetables indicated that net return varied from Rs 8,509 to Rs 11,640 per hectare.

(v) Results of national demonstrations organised on farmers' fields also revealed that net return varied from Rs 1,338 to Rs 2,355 per hectare when only one crop was raised; while it was between Rs 4,035 and Rs 4,940 per hactare under two crops. This net return was found to further increase to between Rs 5,019 and Rs 5,359 per hectare when three crops were raised per unit area.

The yield of the crop is, however, the net result of interacting effects of complex forces of crop production such as productivity-cum-fertility ingradient of soil, inputs and variability of climate and season. In short, the ability of marginal farmers to produce an optimum level of crops is, amongst other factors, governed by physical and human factors as described below:

physical factors

(i) *Optimum use of land*: Time and space dimension concept in the productivity of agriculture has added a new chapter to the agricultural production technology giving net return of the order of Rs 10,000 to Rs 11,000 per hectare per annum. However, it depends upon how efficiently a farmer manages his scarce resources of land and water to prevent soil erosion, maintain its productivity and enhance its fertility.

(ii) *Seed*: Seed is considered to be the potential source of crop production, which contributes 20 to 50 per cent increase in yield. However production depends upon the selection of seed, availability of genetically pure seed, quantity of seed used, time of sowing, method of sowing, etc.

(iii) *Fertilizer*: Fertilizers replenish the soil with the required nutrients lost due to intensive cropping and the use of balanced fertilizers raises the level of fertility of the soil. All soils and all crops, however, do not require a uniform dose of fertilizers. It is, thus, necessary to diagnose the soil in respect to the enrichment, availability and deficiency of the nutrients with reference to the proposed cropping pattern to be adopted. This will be known only by testing soil, where such testing laboratories are established, to give complete prescription of the type and quantity of fertilizers to be used as well as time and method of application. Along with chemical fertilizers, use of organic manure is also essential to maintain productivity of the soil.

(iv) *Plant protection*: High yielding varieties and hybrid crops have often been found to be more susceptible to the attack of pests and diseases. If adequate and timely measures of crop protection are not taken, the yield of the crop is reduced drastically.

(v) *Irrigation*: Irrigation water, wherever available, has to be used very judiciously so as to obtain maximum yield lest it should create salinity/alkalinity and related problems of soil hazards.

(vi) *Storage, processing and marketing facilities*: Increase in the harvest of the crops due to adoption of technology has little meaning if proper storage, processing and marketing arrangements are not provided to this class of farmers. Marginal farmers being poor do not have storage facilities and have to compulsorily sell their farm produce immediately after threshing and cleaning from the threshing yard itself which fetches a lower price. Under these circumstances, a reasonable gestation period before marketing has to be allowed to fetch competitive and fair prices. This obviously necessitates development of adequate storage facilities and organised market yards.

human factors

The transformation of production technology from research plots to production plots depends upon such human factors as farmers' socio-economic status, level of education, age, adoption status, the stage in which he is in the adoption process, existing level of knowledge about innovation, his aptitude, his proneness to change, value orientation, aspirations for future attainments, his length of farming career and many other pre-conditions.

Demonstration: Results obtained from

the experimental plots which have been analysed by appropriate method of statistical analysis and only those results which are statistically significant at 5 per cent or 1 per cent level of confidence for a period of three years are demonstrated on a limited scale to the cultivators before they are released for adoption by farmers. However, it requires great care and vigilance to instil a greater degree of confidence in this class of farmers that they will not run into any risk by adopting these proven package of practices for which adequate number of demonstrations (as many times as possible) on wider scale should be held on their fields taking into consideration the human factors so as to have a rational assessment of the benefits of package of practices. Demonstrations may also be required to be held under different agro-climatic zones so as to prove their ultimate utility based on critical analyses under farmers' field conditions. This may be time-consuming and expensive initially but will ultimately have favourable effects on the adoption of new technology by marginal farmers.

package of practices

Education: Adoption of the package of practices which have been proved to be remunerative to this class of farmers based on demonstrations held on their own fields also requires a suitable strategy of educating them in respect of methods of cultivation of high yielding varieties. Education is basic to the use and adoption of modern technology which changes swiftly and has impact on the ultimate diffusion-process of adoption. Certain progressive states have recently made a beginning of educating marginal farmers at agricultural research institutes or centres by providing hostel facilities.

Technical guidance: Marginal farmers despite their having secured demonstrations and despite being educated in the methods of the application of package of practices also need constant technical guidance as to what should be done at what stage of growth.

Availability of inputs: Affluent farmers are well aware of the sources of availability of inputs as well as the methods of obtaining them. However, this class of farmers must be provided with necessary inputs at the right time and in adequate quantity. Quality of inputs so supplied should be strictly ensured otherwise there is a possibility of getting much reduced yields. Seed should be examined in laboratories at various stages of multiplication, processing and distribution so far as its inherent production potential is concerned. Recent reports on the deterioration of genetic potential of seed are quite alarming. Similarly, short supply of fertilizers has induced black marketing with a high degree of adultetion which has far-reaching effects on soil productivity.

subsidiary occupations

Poultry farming; Poultry is considered to be one of the best sources of animal protein. Per capita availability in India of poultry meat (50 grams) and egg (12 eggs) is estimated to be the lowest in the world. A scheme for establishing a national egg marketing grid based on cooperative structure is proposed to be implemented in the fifth Plan. Thus with the increased demand for eggs and meat in urban areas coupled with scientific developments (breeding, feeding and management) in poultry farming, the scope of establishing poultry units in our country needs to be explored and exploited wherever climate is congenial. With a capital investment of Rs 3,100, a net return to marginal farmers and agricultural labourers would be of the order of Rs 1665 per annum with a unit of 100 layers for egg production. Similarly a net return of Rs 600 per mensem with a unit of 500 chicks for meat purposes would accrue to them with a capital investment of Rs 6,400, While there are prospects of obtaining adequate net returns, the limitations enumerated below require to be taken care of:

(i) It is necessary to determine the optimum number of layers and chicks that may make the poultry unit viable in the present context of soaring prices of feeds.

(ii) Often land on which poulty sheds could be constructed is not available with this class of borrowers.

(iii) They do not have the risk bearing capacity in the event of birds being severely affected by disease.

Dairying: (Milch animals) The present intake of milk in India averages about 110 grams per person per day as against per capita requirement of 284 grams as recommended by the nutritional advisory committee. The low level of consumption of milk is due to the low level of production. During the fifth five-year Plan period a massive dairy development programme is being undertaken which envisages setting up of 24 new milk schemes in towns with a population of over 50,000, four milk product factories and 64 rural dairy centres in areas with a population of less than 50,000. The dairy development programme inter alia includes measures for the introduction of a number of quality milch animals in the milk shed areas, production of fodder crops and manufacture and distribution of balanced feeds. Cross breeding coupled with genetic improvement of pasture and fodder have in recent years increased animal productivity and thereby net return per unit cost of milk production.

Recent studies have indicated that dairy farming under the present agro-economic situation is more profitable than arable farming. Thus, there is scope of providing milch animals to this class of borrowers in milk shed areas where intensive cattle development programme sponsored by the government is in operation or where dairy processing plants are already working or being established. This will help marginal farmer and agricultural labourers to earn a good amount of money from subsidiary occupations as well as provide a continuous flow of milk to urban and metropolitan centres. It is estimated that a well cared for buffalo or cross-bred cow would give a net return of Rs 1,600 per annum with a capital investment of Rs 3375. Some of the constraints in the way of a smooth implementation of such a well concieved scheme are given below.

some constraints

Buffaloes and cows of Indian breeds have limited productivity which cannot be increased beyond certain limits in spite of breeding, feeding and management practices of a very high standard.

Prices of cattle feeds, dry and green fodder is increasing at a rate that the marginal increase in the price of milk does not provide adequate net returns or justify maintenance of one or two milch animals by marginal farmers or agricultural labourers unless a definite arrangement, as provided by AMUL or Dudhsagar Dairy, is made.

There is the difficulty of providing a cattle shed for one or two milch animals at least during the monsoon season.

Marginal farmers do not have risk bearing capacity; they have sometimes to face the risk of sudden death of animals as well as a fall in productivity due to animals of sub-standard level.

Sheep and pig rearing: An all-out effort to step up wool production in the country to reduce the drain on our foreign exchange on the import of raw wool to the tune of Rs 21 crores has to be made. In accordance with the concept of introducing foreign breeds for the purpose of sheep development in our country, the central government has decided to establish large-scale sheep breeding farms in suitable regions. A beginning has already

been made in the Gujarat state. Some parts of Gujarat, Rajasthan, Uttar Pradesh, Punjab, Haryana, Jammu & Kashmir, Andhra Pradesh and Karnataka which have warm climate and scanty rainfall are well suited for sheep development. If half-bred sheep are provided to this class of breeders the gross income per flock of 100 sheep would be around Rs 4400 per annum with a capital investment of Rs 8,000. Similarly, in Punjab, Haryana, Uttar Pradesh, Delhi, Jammu & Kashmir there appears to be good scope of pig rearing. Pig rearing gives quick returns with low investments. A net return of Rs 8,300 per annum may be obtained by rearing ten sows with a capital investment of Rs 6,300, However for sheep there should be adequate grazing area available. Also, rotation grazing should be practised and pasture developed on scientific lines. Arrangement for providing foreign breeds of pigs such as Middle Yorkshire-Berkshire and large White Yorkshire should be ensured. If adequate care is not taken the loss in pigs due to diseases is enormous. Pigs should be properly housed and protected from excessive heat.

Inland Fishing: Recent scientific developments in the areas of inland fishing have shown that with better care and management in waters where traditionally fish cultivation is practised, production of about 800 to 1000 kgs. of fish per hectare can be obtained even without resorting to artificial feeding. Results of scientifically managed inland fishing ponds have shown that with better type of cultivated species of fish, better care, management and artificial feeding, production of the order of 2000 to 2500 kgs of fish per hectare is not uncommon. Thus, this field has a potentiality of earning a gross income of about Rs 4,000 to Rs 5,000 per hectare. Areas in Madhya Pradesh, Uttar Pradesh, West Bengal, Rajasthan and Gujarat where there are several seasonal as well as perennial ponds could be better exploited for inland fishing. It is however, necessary that a cooperative organisation of fishermen is created so that capital investment is reduced, proper storage and marketing facilities are created, effective technical guidance is given and efficient supervison is undertaken.

The Marginal Farmers and Agricultural Labourers Development Agency established in 41 districts should make available at reasonable price genetically pure seeds, fertilizers, pesticides, layers, chicks, milch animals, sheep and pigs to these farmers and labourers.

The agency should also provide technical guidance and facilities of storage, processing and marketing of the produce.

It should create a risk stabilisation fund by collecting a reasonable amount from sale proceeds and contributing an equal sum to this fund. Wherever MF & AL Development Agency is not functioning, government may endeavour to provide a reasonable amount of subsidy to this class of borrowers to meet their capital requirements. Nationalised commercial banks in their lead bank districts with the help of branches of other banks should earmark the area of operation and streamline the financing procedure so that credit facilities to this class of borrowers are available without any loss of time.

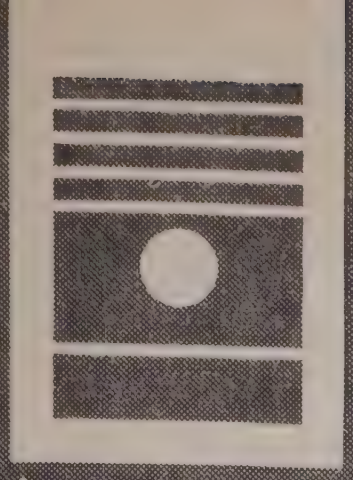
Government should help in setting up farmers' service cooperative societies so that the aim of helping this class of borrowers is fulfilled. Since the society is expected to be the sole agency for taking care of all the developmental needs of small farmers, marginal farmers and agricultural labourers either directly or by making special arrangements with other agencies operating in the area, it is absolutely essential that the establishment of farmers' service cooperative societies is not delayed.

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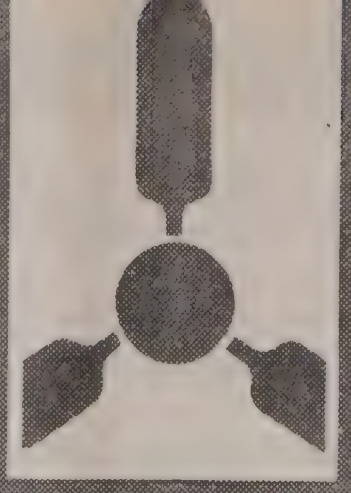
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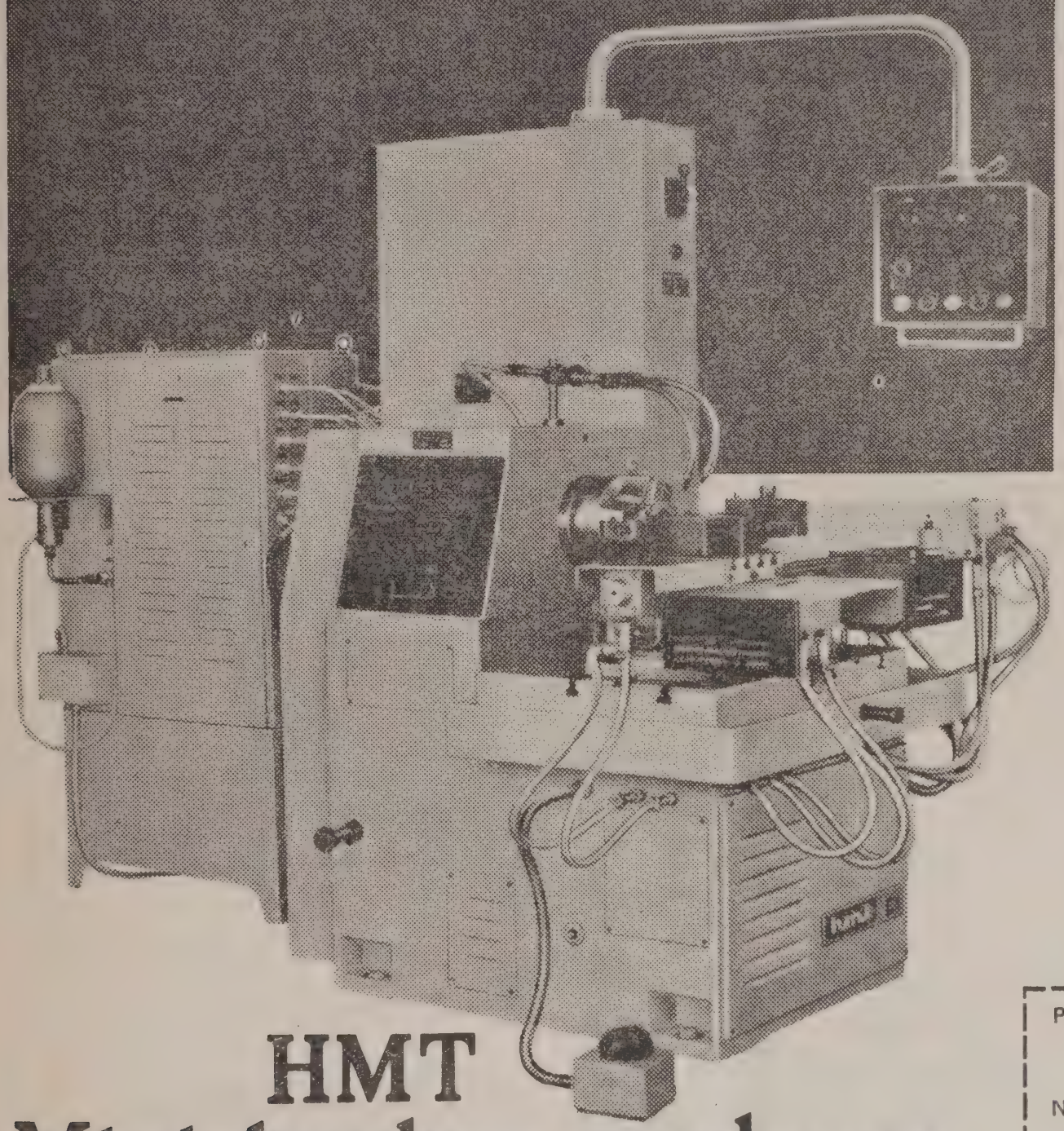
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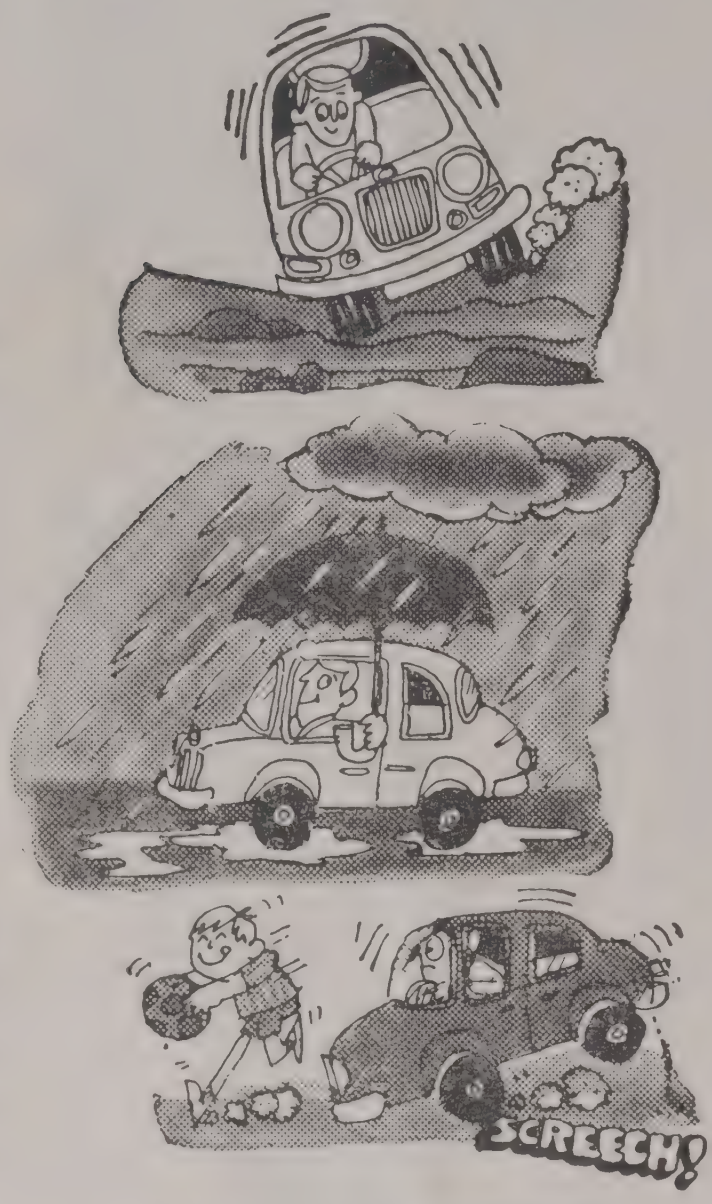
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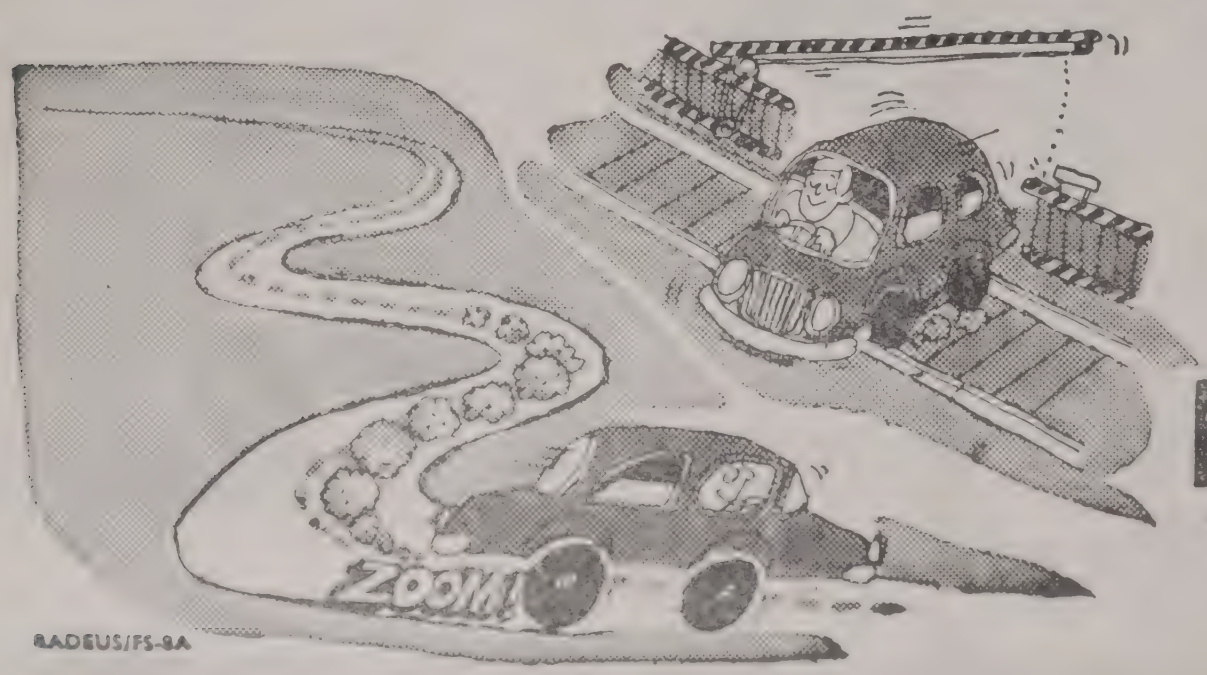


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THE STRONG TYRE

Anatomy of inflation in OECD area

Jossleyn Hennessy

London

I

Three Stages

THE RENEWED acceleration of inflation in the OECD area since mid-1972 has passed through three distinct stages.

First: Mid-1972 until about October 1973 saw sharp rises in the price of most primary commodities relative to the general price level. (See Table I p. 474) The imbalance between demand and supply in food arose mainly because of shortfalls in supply, whereas there was a rapid and coincident upsurge of output and final demand for industrial materials in most OECD countries. In a number of instance generally low producers' stocks boosted the price rise. Over this period the *Economist* dollar index of the spot price of food rose by about 60 per cent, and the industrial materials index virtually doubled.

Second: From about October, 1973, it appeared that demand pressure, relative to the potential supply of commodities, had already, eased and would continue to do so. The October war in the Middle-East, however, changed matters. Substantial increases in the oil price followed the physical shortage of oil, arising from the embargo and from hoarding. Expectations of inflation resulted in a speculative boom in commodity prices which was unsupported by the underlying level or real final demand: historically, OECD final demand prices of industrial materials have moved more of less together, yet in this instance prices *rose* while industrial production *fell*, relative to trend. In many markets forward prices, although high by past standards, were well below spot prices. By April or May, food and industrial materials spot prices reached a peak, having risen to about 20 per cent above their October 1973 levels. The continuing increase in commodity spot prices led, with a lag of between six and nine months, to consequent increases in import unit values, wholesale prices and finally consumer prices.

Third: Date differing from country to country. Inevitably these price rises led wage earners in virtually all OECD countries to press for higher money wages in an attempt to restore their previous real income and at this point the inflation switched from being essentially of external growth, at least as far as any one country was concerned, to basically internal growth.

WINDOW ON THE WORLD

Throughout 1973 a general accelaration in wage rates took place in most OECD countries and currently wages are growing extremely rapidly, although often not as rapidly as prices.

That there is a six to nine month lag between spot price movements and the consequent changes in transactions prices means that transactions prices prices will probably continue to rise until about the end of this year. Thus, regardless of how fast and how far spot prices fall, wage earners will find their real incomes continuously falling throughout 1974 unless money incomes rise are inflated with the general price level. This will happen where wages have been indexed; as the rate of growth of transactions prices slows down into 1975, money wage rates should also slow down. An alternative would be to moderate the rise in transactions prices through subsidies over the rest of the year, up until the time when transactions prices begin to fall. Subsidies have not, however, been adopted on a wide scale, so that continued rapid inflation throughout 1974 seems likely. In view of the distortion in the working of the price mechanism that subsidies cause, I am surprised that the OECD seems to condone them.

II

Imported Inflation

In 1974 the level of cif import unit values (or "transations prices") of non-oil commodities, including non-ferrous metals, is forecast to increase by approximately 30 per cent. This rise in price would add another one per cent to the Total Domestic Expenditure price deflator of the OECD area as a whole. (See Table II p. 475).

The 1974 level of transaction prices used for these estimates is relatively conservative, to which must be added the impact of the oil price rise estimated at 1½ per cent for 1974 for the OECD area as a whole, and 2¼ per cent for Europe. Another half percentage point could be added to the OECD total if crude oil produced in the USA and Canada were to be sold on the domestic market at world prices.

The upsurge in prices of industrial raw materials of agricultural origin which started from a depressed level in early 1972, reflected initially abnormally low stocks. Supply difficulties from current output (jute) and buying sprees for stock-building (wool), however, also played a role. With the ending of initial stockpiling and the weakening of industrial demand, prices were expected to recede in the autumn of 1973, but the sharp rise in the cost of production of synthetic substitutes put a fairly firm floor under the prices of natural products. *Pulp and paper* prices have risen rapidly in the past two years, basically, because of inadequate growth of potential supply following many years of low prices. This market is likely to remain tight for some tim

to come. Depressed residential construction, notably in North America and in Scandinavian countries, has eased the lumber market.

Remarkably stable through 1972 and in the early months of 1973, free market prices of metals rose sharply from mid-1973 onwards. The stability, considerably aggravated by speculation, was fed not only by short-term supply difficulties, but by fear of concerted prooducer action. By early May, spot quotations for nearly all non-ferrous metals were still at or near their all-time peaks, but thers has been a marked decline since then.

More importantly, the much less volatile long-term contract and producer prices, at which the bulk of output is sold, moved up substantially, though still lagging behind the London Metal Exchange spot prices.

Marketing arrangements for primary commodities have been in flux in recent months. In particular, there have been several recent attempts by commodity producers to improve their control over prices. Although *phosphate* production is not cartelised, Morocco has a dominant position in the industry and has increased the price four-fold within the last year. Other phosphate producers have followed Morocco. The leading producers of *bauxite* recently met in Guinea to discuss closer cooperation. No decisions are known to have been taken, but recently Jamaica increased its royalty payments, and plans an additional tax on bauxite.

Producers of *mercury, iron, ore, rubber, copper* (excluding those from the USA, Canada and Australia), wool and tea have also met to discuss prices and/or marketing arrangements.

III

Hedging Against Inflation

An important feature of the present inflation is the movemeut out of financial assets into real assets. The stock market and gold have been traditional hedges against inflation. However, in the past 18 months equity prices have not only failed to keep up with inflation, but have been stagnant or falling in almost all countries. This was accompanied by a massive inflow of funds into commodity markets, where forward contracts have become an important instrument for hedging against inflati and for pure speculation.

Monetary conditions have further couraged this tendency. With am short-term credit available, notably the Euro-markets, real interest rates b came negative in late 1973 and there h been every incentive not only to pref speculation to financial investment, b also to use borrowed money to speculat The disrepute of the stock market as hedge against inflation has been accompa nied by a sharp rise of other forms hedging, particularly the buying of pr perty, notably land, as well as more esc teric real assets much as works of ar precious stones and stamps.

The acceleration of inflation create substantial income transfers, both withi and between countries. The commodit boom, up to about the middle of 197 boosted particularly the prices of agricu tural products (wheat, meat, soyabean wool and cotton) of which some OEC countries are the major producers an suppliers. Hence, the corresponding in come transfer took place mainly withi the OECD area itself.

In the more recent phase, the large in

TABLE I

Spot Price Indices of Selected Commodities

(Based on $ prices 1970=100)

	1971	1972	1973	1973		1974
				Low†	High†	May†
Beef (Eire, London)	118	142	179	161 Feb.	199 July	(145)
Wheat (US, Kansas City)	107	124	242	157 Mar.	359 Dec. (393 Feb. 74)	(260)
Maize (US)	102	96	150	115 Mar.	248 Aug.	(195)
Sugar (Caribbean, New export) York,	120	200	257	240 Feb.	269 Nov.	645
Coffee (Brazilian, New York)	84	94	123	106 Jan.	132 Nov.	139
Cocoa (Ghana, New York)	78	94	187	109 Jan.	253 July.	335
Vegetable oilseeds and oils	105	92	162	104 Jan.	256 Dec.	301*
Soyabeans (US)	113	127	240	155 Jan.	427 June	(200)
Wool (Australian, Sydney)	84	152	344	317 Q2	372 Ql	(300)
Cotton (US 12 markets)	110	137	224	138 Jan.	324 Sept.	(230)
Rubber (Malaysian, London)	81	86	178	113 Jan.	250 Dec.	(205)
Copper (UK, London)	76	76	126	79 Jan.	161 Nov.	223
Lead (UK, London)	83	99	141	105 Jan.	195 Dec.	243
Tin (Malaysian, London)	95	103	131	103 Jan,	177 Dec.	262
Zinc (UK, London)	104	128	287	131 Jan.	547 Nov.	675

† Monthly averages. * April 1974.

Sources: IMF International Financial Statistics; UNCTAD, Monthly Commodity Price Bulletin and Secretariat estimates; *OECD Economic Outlook*.

ie transfer towards third countries was ompanied by a greatly increased flow rofits to companies engaged in this sec- whether their output was produced nin or outside the OECD area.

The First National City Bank annual vey of corporate profits indicates a rise the USA of 27 per cent between 1972 1 1973, for seven of the 43 sectors ose, profits rose by over 50 per cent. ese seven sectors were: lumber and od production; furniture and fixtures; er and allied products; petroleum; n and steel; non-ferrous metals; and tal mining. Similar developments urred in Canada.

IV
The Plight of Developing Countries

The increase in oil prices—which may d as much as $10,000 million to the port bill of developing countries other an the major oil producers—came at a ne when the external position of non- developing countries as *a group* was onger than usual. Prices of many other mmodities were booming, and $15,000 llion had been added to reserves in two ars. Within the group, however, situa- ons differ widely. Some countries which ve done well out of the commodity boom d/or have relatively high incomes per ad seem able, for the moment, to cover eir increased oil bills relatively easily— exports, drawing on reserves and other fficial financing, or by attracting addi- onal capital inflows. Others, however, cluding some of the poorest countries, ace the greatest difficulties which can be lleviated only by emergency aid on soft erms.

Those in difficulties include the Indian ub-continent, the Sahelian countries in Africa. and a number of Carribean ountries. These countries are suffering rom dependence on exports of commo- lities which have not participated in the general boom, such as tea, jute or bananas; drought or other natural disas- ers; and the simultaneous rapid increases n the prices of imports of oil, food, fertilisers and finished manufactures. (In some countries the oil price rise is only a relatively minor factor, because they are too poor to use much oil). Countries in this group are likely to have great difficulty in financing their balance of payments deficits. They have low reserves and their credit-rating does not permit recourse to borrowing in the markets; even the new IMF facility may be too expensive. Although it is difficult to quantify the special aid required by these countries, preliminary studies in various international organisations suggest that some $3,400,000 million may be required up to the end of 1975, some of it at once.

Although the immediate need is to ease the plight of the particularly hard-hit countries, over time a more general problem could emerge. The terms of trade of primary products relative to manufactures have probably reached a cyclical peak, and may well decline considerably. The cooling-off period in the OECD area will, therefore, adversely affect both the price and volume of developing countries' exports. As reserves are depleted, the number of comfortably placed, or creditworthy, countries will decline, with a resulting need for further arrangements to provide finance and or commodity price stabilisation.

Sources and acknowledgements : The foregoing summarises a special chapter in the current OECD *Economic Outlook* but the OECD is responsible neither for the emphasis of my summary nor for my interspersed comments based on a variety of sourees.

TABLE II

Contributions of c.i.f. Import Price of Oil* and Non-Oil Primary Products† to the Rise of the Deflator of Total Domestic Expenditure in 1973 and 74

(Percentages)

	Non-oil		Oil	
	1973	1974	1973	1974
Canada	0.7	0.7	—	—
United States	0.3	0.3	0.1	0.4
Japan	1.2	1.3	0.4	2.6
France	0.9	1.1	0.4	2.7
West Germany	1.3	1.5	0.2	1.5
Italy	1.9	2.1	0.6	3.8
United Kingdom	2.0	2.1	0.5	2.9
Belgium-Luxembourg	3.1	3.7	0.6	4.3
Netherlands	2.4	2.7	0.2	1.4
Denmark	1.2	1.5	0.3	1.8
Ireland	2.3	2.4	0.3	1.7
Austria	1.2	1.5	0.1	1.1
Finland	1.2	1 2	0.4	2.7
Norway	1.8	2.2	0.3	1.5
Sweden	1.0	1.1	0.2	1.0
Switzerlan d	1.4	1.8	0.2	0.7
Spain	1.4	1.4	0.5	3.2
OECD Total**	0.9	1.0	0.3	1.5
OECD Europe**	1.5	1.7	0.4	2.3

* Based on net imports in terms of crude oil.
† SITC 0, 1, 2, 4, and 68.
** Based on import figures including intra-area trade.

Source: Secretariat Estimates *OECD Economic Observer*

Bonn-Paris axis and the American connection

Vienna

E. B. Brook

THE UNUSUALLY anxious holiday month of August is over and west Europe, returning to work, is finding that most of its governments are taking some urgent steps to counter the effects of inflation and keep mounting unemployment from becoming a serious social problem.

The Germans, after unusually careful soundings, are supporting the staggering Italian economy with a cheap two-year loan of two billion dollars against a security of part of Italy's gold reserves. At home, W. Germany, faced with mounting evidence that its boom period in exports is drying up and rather more concerned than it will publically admit over continuing bank failures, is preparing a series of tough economic measures to check the extravagant spending which the German indulges in good times and to concentrate on checking the increasing lay-off of skilled labour. In the last few months the stockyards of almost all W. Germany's car manufacturers have filled with unsold new models, production has been cut back and some 50,000 skilled workers laid off to draw unemployment relief.

rise in prices

While in Italy the price of food essentials is going up by 50 per cent the French are finding themselves paying nearly 15 per cent more to life than they did a year ago. Europe's fast inflation table starts in the far north with a 43 per cent rise in prices in a year in Iceland with Greece second with 30 per cent inflation and Portugal third with a relatively moderate 25 per cent. Of the bigger countries Britain leads with a rise in living costs over 12 months of 17 per cent followed by Italy with just over 16 per cent, France anxiously third with nearly 14 per cent and West Germany relatively well off with just under seven per cent rise. Percentages can be a deceptive form of statistics, for, while Britain shows a percentage rise in living costs three times as high as W. Germany it is still much cheaper to live in London than in Bonn and cheaper to live even in Bonn than in Stockholm. The British have still west Europe's cheapest capital and northern Europe remains one of the most expensive areas despite—possibly because of—its prosperity.

In difficult times nations, like individuals, tend to concentrate overmuch on their own troubles. Inflation has now replaced other menaces such as industrial pollution as bogey number one. Inflation is no new thing—historically it can be traced back as far as the third century and it could probably be traced even farther back if sufficient records had survived.

world-wide phenomena

What is more unique about the present situation, which looks like lasting a while, is that inflation is almost worldwide. At the same time, in many parts of the world, and certainly in west Europe—probably in east Europe also—people have never lived so well. More people live in dwellings that are (nominally) their own property, food is freely available in greater variety than ever before and all over the continent more people (at least nominally) own their own cars and, in the more extravagant luxury lands, two or three. The word nominally has been inserted because a very large part of this property and vehicle ownership is done on extensive credit extended by banks, building societies and by manufacturers in the form of hire-purchase. Credit, in fact, has become over-extended, leading not only to bank failures—especially among private banks—but eventually to devaluation of currencies. Governments carry on their business with the aid of huge loans from international funds, from oil-owners such as Iran or by lending one another money on short-term conditions so that, from governments down to the small flat-owner using hire-purchase furniture and a part-paid car, the entire economies are living on borrowed money—a condition which can only be met by economically unjustified pay increases and by printing more money and increasing the strain on currencies' gold backing.

In such circumstances it is little wonder that many businesses become increasingly difficult to manage, that bankruptcies are increasing everywhere—by 40 per cent in West Germany and by 23 per cent in more cautious France—and there are worried comparisons with the contraction in the money supply in the USA in 1929 that led to the great depression in the 1930s.

Fortunately—and despite much that is written to the contrary—there is closer collaboration today between the USA and west Europe than ever before. The USA is a very active member of the OECD based in Paris, it welcomes the existence and expansion of the Common Market despite frequent arguments and the clearing of many difficulties in the way of the US Trade Bill since Mr Gerald Ford became US President suggests that the fears expressed a few weeks ago that slow progress over that bill in the US Congress might impede the world trade discussions under GATT auspicies in Geneva have almost disappeared. While no one can say how soon the US bill will be passed and signed—this year or early next year—the fact that it will probably be passed more or less in the form drawn up by former President Nixon means that a major uncertainty has been removed from the course of the Geneva discussions.

dependence on the US

Although the fact remains, as the American ambassador, Mr Charles Bohlen, once remarked, that "the only trouble with US—European relations is that America is just too big and strong.... we are more independent of Europe than Europe is of us and its hard for people on both sides of the Atlantic to understand the differences", it is fortunate that both Germany and France are now led by men who understand and intend to cooperate with "the American connection". If President Giscard d' Estaing of France sounded a trifle peeved when he commented last week in a televised address on the fact that the new US President had omitted any mention of Europe in his address to Congress and the American people, the French leader has shown several times a far more responsive mind than either of his predecessors at the Elysee, of the need for cooperation across the Atlantic in almost all spheres. West Germany is very conscious of the fact that, while it is now exporting as much to the western world as is the USA this trade accounts for 23 per cent of its Gross National Product while America's exports account for only five per cent of the USA's GNP. It is fortunate that President Ford has been quick to respond reassuringly to the implied criticism from Paris and that he wants a "productive and cooperative relationship with France and Europe, a condition requiring reciprocity."

The laggards in cooperation generally are often the members of the Common Market which, unlike the USA, has still

empower a representation at the GATT orld trade discussions. At the moment e Market is concentrated much nearer me in considering floating an inter- tional loan of about five billion dollars help Britain and Italy—either from the urodollar market or from Arab oil-pro- ucing states—and on its negotiations in ovember on pushing forward the pro- posals for closer economic and financial cooperation with the Arab League which it began in Paris last month. One form of this cooperation has just been conclud- ed—a loan for nine years to Egypt of 100 million dollars by a consortium of Arab and French banks—consisting of 32 banks in western Europe, the Arab states, Hong Kong and the USA. The guarantors are the nine Common Market states—princi- pally West Germany and France—of whom West Germany holds the largest gold and dollar reserves in the world, about 35 billion dollars, making Bonn at present the arbitor in part of such weaker Market partners as Britain and Italy as well as of some weaker cooperators in the Arab world.

Migrating population for qualitative change

Kathmandu

Navin Chandra Joshi

N NEPAL, the population problem ssumes two dimensions. First, it has rising trend in population growth from ear to year in absolute terms. Second, here is the problem of intra-regional opulation disparity with the result that here is a great wastage of manpower esources. It is this second aspect of the roblem that I am trying to focus on for ighlighting some implications of its ossible solutions.

It would be pertinent to note that the 971 census of Nepal calculated the total opulation at 11.5 million persons which as now crossed 12 million, increasing at he rate of 2.07 per cent per annum. The verage density of population is 79 per- ons per square kilometre which is roughly three times that of the world average of 27. The following table gives an idea of the density on the basis basis of the road regions of the country.

Nepal : Area, Population and Density

Region	Total area (sq. km.)	Popula- tion (milli- ons)	Dens- ity (per sq. km.)
16 Mountain districts (exce- eding 3,000 metres in alti- tude)	50,122	1.1	22
39 Hill dis- tricts (900 to 3,000 metres in altitude)	64,331	6.0	94
Kathmandu valley (Three districts)	1,074	0.6	576
Terai	18,380	4.3	140

From the foregoing table, it is apparent that the problem of regional concentration of population in the peculiar topography of the country is something which must be solved through an appropriate and pragmatic population policy. Such a policy could be either concentrating development efforts more and more in mountain and hill regions or to migrate a part of their population to the terai region or doing both. As much as 94 per cent of the total popula- tion deriving its livlihood from the agri- cultural sector, 9,200 square miles or 5.9 million acres which is 16.9 per cent of the total land area, is not sufficient for raising the levels of living. According to the 1971 census, the density of population in the cultivated area is 5.757 per hectare for the country as a whole.

small holdings

The average size of agricultural holding is very small—ranging from 0.4 to 0.6 hectares in hills and 3 to 5 hectares in the terai area. Clearly, there is a heavy pressure of popu- lation on the cultivated land in mountain and hill regions. The density of population on cultivated land in hills is almost four times that of the terai area which is evident from the fact that there is too much of disguised unemployment in mountainous and hilly regions.

Dr. Harka Gurung, Deputy Chairman of the National Planning Commission, has suggested migration of some popula- tion to the lower density terai while simultaneously undertaking massive rural works programmes in hill regions. Dr. Gurung observes that this will necessitate reducing farm size in the terai for the purposes of intensive farm- ing and for inducing high density popula- tion. According to him, in the totality of this policy, immigration from across the border will be checked.

As regards reducing the size of the farm the experience of eastern terai pro- bably serves as a good guide for this policy. "The population of eastern Terai doubled during the period 1952-1971 but at the cost of reducing the forest area by half." Dr. Gurung rightly concludes that "the increased population of Terai cannot be absorbed by expansion of crop land alone without ecological consequences."

One may, however, argue that reducing the size of farms in developing countries would, apart from involving difficulties in its implementation, aggravate in the long- run the problems of sub-division and fragmentation of holdings. The farm size of 3 to 5 hectares in the plains of terai is just an economic size at the margin. As such, the better course would be to bring new land under cultivation for settling the migrated population in new farms. These farms could be of sufficiently large size in order to reap advantages of scale of operation, techno- logy and joint farming. At the same time, however, they should not come about at the expense of forest resources. If that happens, even small plots of land could be used for intensive cultivation. In any case, it is a question of cost-benefit analysis on a long-term basis as to which is economically better—conservation of the existing forests or creation of cultiva- ble land through some depletion of forests.

For the purpose of rehabilitating the surplus labour of mountains and hills in the terai area, the government will have to arrange for housing, medical and other civic amenities for the growing population of terai from year to year. Besides, more agricultural inputs in the form of seeds, manure, machinery and implements, irrigation water, storage facilities, etc., will have to be provided. A net migra- tion to terai will mean a long process of human adjustment to new climatic and social environment and for this purpose, the government will need to create suita- ble conditions.

As for checking immigration from across the border, it is doubtful if the policy of migrating people from hills and

mountains will really help achieve the purpose. It is an open secret that Indian labour is engaged in terai farms mainly for the reason that it is the easiest way of circumventing the provision of 'land to the tiller.' The Indian workers being aliens cannot become owners under any circumstance by virtue of tilling the land. So, the present landlord farmers continue to employ labour from across the border for the fear of losing land to the local migrated population.

Finally, migration involves the question of improving the hill economy of the country. Surely, the economic condition of the upper regions' people can be improved through implementing massive rural works programmes as suggested by Dr. Gurung. One study on population migration of Nepal presented for discussion at the recent CEDA seminar on Population and Development, indicates that "Although population has increased in the Terai, this has not been accompanied by a decrease in the hills. The growth rate in the hills may have decreased but the absolute number of people has not. The problem of the hills is not solved by shifting people to the Terai, because it is only the incremental population which is being shifted." This finding focusses on the need for creating employment opportunities both in the hills as well as in the terai. All migrated labour should not be engaged in agricultural work. As such, some of them will need to be trained for industrial and service sectors.

In the ultimate analysis, therefore, any policy for solving the intra-regional population problem must emphasise the primacy of a qualitative change to be brought about in the nation's manpower consequent upon their migration to a new environment. Unfortunately, developing countries do not plan for such consequences in advance. Demographic changes between regions have a substantial impact on the demands for housing, education, employment, health and social services. Such demands cannot be met with existing resources and priorities. The contemporary theory of economic growth tells us that increases of labour and capital, unaccompanied by technical progress and improvements in economic organisations, add to domestic product but not to productivity or to Per Capita Income. The latter is a function of advances in technology and efficiency of economy both of which depend on improvements in the quality of labour inputs and not on the accretion of their quantity. Therefore, improvement in the quality ofl abour and economic organisations should take place through education including scientific research and technical training.

Save with grace

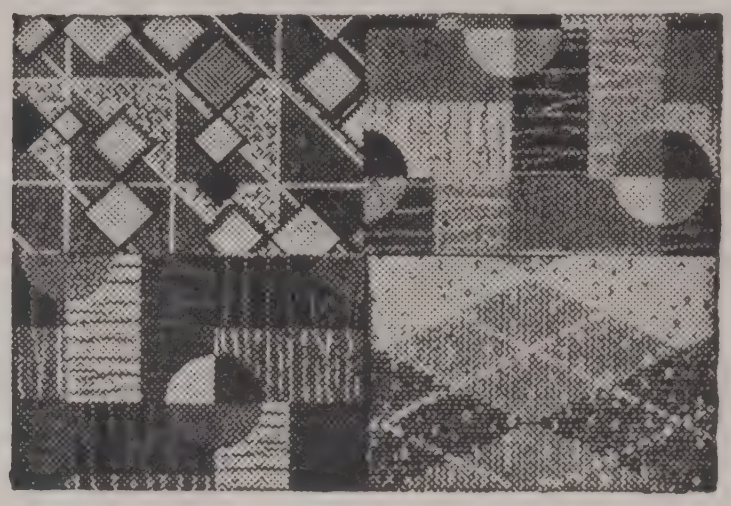
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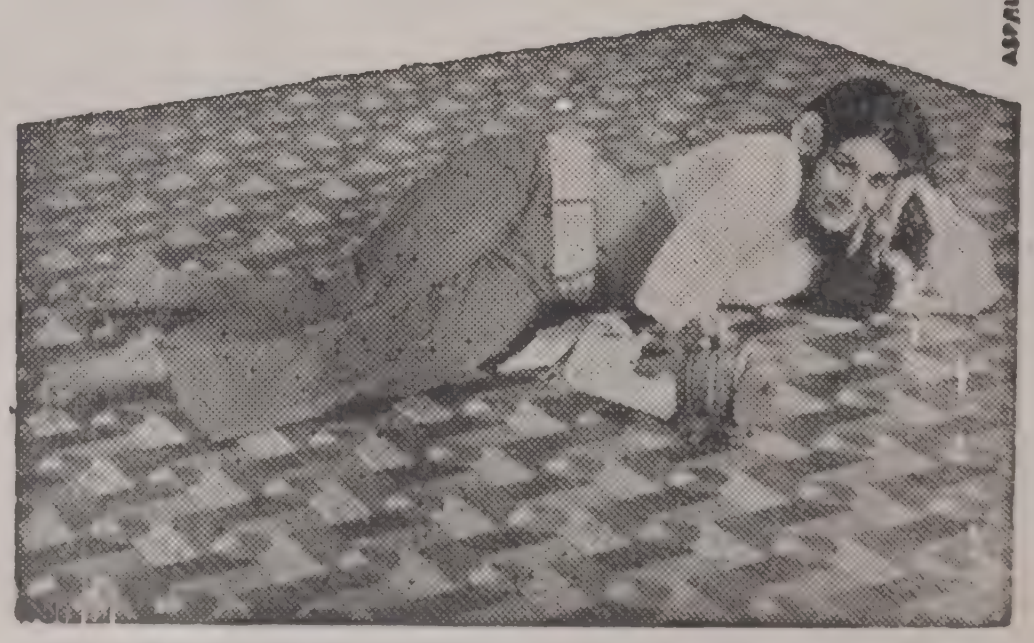
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MOVING FINGER

The prime minister sure-

ly insulted the intelligence of our people when she sneeringly said recently that those who complained of corruption in the land were able to name only four people, namely, she herself, her son (Mr Sanjay Gandhi), Mr Bansilal and Mr L. N. Mishra. (Was there a Freudian slip on her part in assembling this odd quartet ?) To attempt to deal so casually with what is admittedly one of the gravest ills of public life, politics, business, government and administration in our country is clearly unbecoming of the leader of the ruling party. It may perhaps be legitimate for Mrs Gandhi to plead that she alone should not be blamed for this evil condition. But to pretend that the evil itself does not exist or even that it does not exist in a grave form is to encourage or perhaps confirm the thought in the public mind that she, her party and her administration are perhaps much more responsible in one way or the other for the prevailing corruption than is generally suspected.

For an unconscionably long period now members of parliament have been kept waiting for the information they have been asking for about the affairs of *Maruti*. As for Mr Bansilal or Mr L.N. Mishra, her own partymen have not been successful in generating moral pressure emphatic enough for her to agree to a probe into the allegations against them by an impartial commission of inquiry or tribunal; and, in both these cases, it is posible that Mrs Gandhi has reasons of her own for not wanting dirty linen to be washed in public.

It is true that, in parliament, the allegations against Mr Mishra have been related to his involvement in the affairs of the Bharat Sevak Samaj in Bihar, but it is obvious that Mr Mishra's primary status as a target for charges from the opposition benches in parliament or other sources is that he is suspected of being or at least having been an indefatigable fund-collector for his party, along with certain other ministers or former ministers. In these circumstances it should be difficult for Mrs Gandhi to imagine that she will be able to still doubts in the public mind by belittling the corruption problem.

Mrs Gandhi is not being fair to herself when she refuses to give an opportunity to her administration to rehabilitate itself in the people's confidence. Worse still, she is not being fair either to her colleagues in the government. The other day I came across a small group of people heroically attempting to identify honest ministers in Mrs Gandhi's cabinet. All of them readily agreed on the name of Mr Bhola Paswan Shastri—on the ground that he does not have wit enough to be different. Almost all of them were ready to believe that Mr Swaran Singh would qualify, their argument being that he had become so used to being a minister that he would be the last person to run even a very remote risk of losing his place in the cabinet. Most of them were also more or less sure that Dr Karan Singh could be added to their list—he had so much money that he would not know what to do with more, especially as he was one of those who rather stuck close to their cash. After this all was silence. I would readily concede that this was not quite fair to several honest men who are undoubtedly to be found in Mrs Gandhi's council of ministers, but I would not blame those who may not share either my trust or my optimism. But I do blame Mrs Gandhi for pretending that corruption is not a major economic, political or social problem in our country at present.

Two ex-maharajas—I am

not referring to the locked-out pilots of Air India—were in foreign countries recently to try to win name and fame for themselves and their country. Dr Karni Singh, taking part in the trap shooting contest at the seventh Asian games in Tehran, bagged a silver medal. Dr Karan Singh, who led the Indian government team to the United Nations conference on population held in Bucharest, seemed to have fared rather less well. Even if it could be assumed that he had to speak to his official brief, it was sad indeed that he should have played so large a part in confusing the issues at this conference. India, after all, can take pride in the fact that its government has been the first in the world to adopt a birth control campaign as an official policy for the nation. Against this background the Indian representative at the Bucharest meeting had a clear obligation to play a precise and pragmatic part in helping to concentrate more attention and effort on population control. Instead, he chose to indulge in the usual soap-box oratory about rich nations having to share their wealth or resources with poor nations before expecting the latter to control their populations. I wonder what Dr Karan Singh's answer would be if slum-dwellers in our cities or landless labour families in our villages were to demand that the more affluent people among ourselves—of whom Dr Karan Singh, presumably, must be one—should share their riches with them before they could be expected to accept a *nirodh* or undergo vasectomy.

Hypocrisy, surely, must

have some limit. Unfortunately, nobody seems able to discipline it at all in this country. Take, for instance, a report in one of our national dailies from its Washington correspondent. Foreign correspondents of Indian newspapers, generally speaking, are an underemployed tribe. They write little and think less. Even so, it was rather surprising that on this occasion, the correspondent concerned should have imagined that he could get off with a report which suggested that the Americans were coming to feel increasingly that they should spare fertiliser supplies to India by cutting down their consumption for less essential purposes, such as fertilizing lawns, growing greenery in cemeteries or even nursing flowers in public parks or private gardens. Could it be the implication that in India itself such fertilizer as is available is being used only for growing rice or wheat, or export crops such as tea? Are not fertilizer mixtures being used in our country too for greening private lawns, public parks or growing chrysanthemums and roses for exhibitions? So far as I know, while the high prices of fertilizers may inhibit their use in the growing of crops especially by small peasants, it has not made much difference to its being used in the upkeep of the lawns and gardens of the affluent sections in our country.

In any case, when most of our municipalities have not even started making an attempt to conserve and process night-soil for manuring fields, it is surely an impertinence to imply that people thousands of miles away should be conscience-stricken about using fertilizer for their lawns or gardens because Indian farmers have to do without it.

VB

TRADE WINDS

Export of Sugar

SUGAR HAS become the biggest single foreign exchange earner in India's exports. An impressive rise of nearly 40 per cent in exports during the first quarter of the current financial year is attributed largely to sugar. In these three months, the export figure has gone up to Rs 643 crores as compared to Rs 460 crores in the corresponding period of 1973-74. Of this, sugar alone, it is learnt accounts for Rs 225 crores. High world prices have proved favourable. Outside the preferential quota, 140,000 tonnes have been exported during the year. Another 300,000 tonnes are to be supplied by December under contracts finalised so far. Among the non-preferential countries to which sugar was exported included Indonesia, Iran, South Yemen People's Republic, the Sudan, Sri Lanka and Maldive Islands. Sugar exports have been taken over by the State Trading Corporation (STC).

Steel Output : 1974-75

Steel availability in 1974-75 is expected to be over seven million tonnes as against 5.67 million tonnes in 1973-74—an increase of 24 per cent. This was revealed by Mr M.A. Wadud Khan, Secretary (Steel) and Chairman, Steel Authority of India Ltd. (SAIL) at a meeting of the Steel Priority Committee recently. Out of the total steel availability, 5.044 million tonnes will come from the integrated steel plants —an increase of 16 per cent over last year's production. Purcheses from overseas will amount to 562,000 tonnes this year. In addition, there is a spill-over of 538,000 tonnes from last year's shipments. A supply of 840,000 tonnes is expected from arc furnaces and other sources. In order to increase steel supplies to consumers, it is also planned to reduce inventories with steel production by 200,000 tonnes.

Mr Wadud Khan pointed out that the working results of the major steel plants during the five months—April to August 1974—indicated that the overall availability target would be achieved. He said that production from the integrated plants during April-August 1974 had been 1.84 million tonnes—well above the production target fixed for the period. Total steel supplies to consumers during April-August 1974 from all sources had been 250,000 tonnes more than the corresponding period of last year.

Deposit Insurance

The deposit insurance scheme is being extended to 370 cooperative banks in Karnataka, Kerala, West Bengal and the union territory of Pondicherry. This was revealed in the annual report of the Deposit Insurance Corporation for the year ended December 1973.

The total deposits of banks (commercial and cooperative) insured under the Deposit Insurance Scheme increased by Rs 1,197 crores between September 1972 and September 1973, as compared with an increase of Rs 431 crores recorded in the previous twelve months. Insured deposits as on the last Friday of September 1973 amounted to Rs 5,852 crores out of the aggregate assessable deposits of Rs 9,152 crores, against Rs 4,655 crores out of Rs 7,458 crores a year before. Insured deposits as a proportion of total assessable deposits thus rose from 62.4 per cent to 63.9 per cent. The number of fully protected accounts — that is, with balances not exceeding Rs 10,000— went up by nearly 7.1 million to 39.9 million out of the total of 41.5 million accounts.

The percentages of fully covered accounts and deposits continue to be higher in the case of smaller commercial banks. The proportion of fully protected accounts to total number of deposit accounts in 1973 remained unchanged at 98.8 per cent in the case of small-sized commercial banks with assessable deposits of Rs 1 crore or less; the relative percentage for medium-sized commercial banks (with deposits exceeding Rs 1 crore but upto Rs 50 crores) exceeded 97 per cent, while it ranged between 95.3 per cent and 95.8 per cent in the case of bigger banks with assessable deposits exceeding Rs 50 crores. The position was more or less similar in the case of cooperative banks.

At the end of December 1973, there were 492 registered insured banks (81 commercial banks and 411 cooperative banks) in the states of Andhra Pradesh, Jammu and Kashmir, Madhya Pradesh, Maharashtra and the union territory of Goa, Daman and Diu. The scheme of insurance of deposits covering cooperative banks has been extended to the union territory of Delhi with effect from April 1, 1974. No claim had to be paid by the Corporation during the year. The total amount of claims paid or provided for in respect of the 14 banks remained unchanged at Rs 113.04 lakhs.

Exports During 1974-75

Exports during the first four months of 1974-75 registered an all-time record increase of 44.5 per cent over the corresponding period last year. According to the provisional figures available with the ministry of commerce, the export value including re-exports during April to July, 1974, was Rs 954 crores, as compared to Rs 660 crores during the same period in 1973. Exports in 1973-74 increased by 25 per cent, over that of 1972-73. Commodity-wise break-up of exports from April to July this year is available at this stage only for a few items. Of the total increase, sugar alone accounts for Rs 57 crores. The balance is accounted for by a variety of other commodities and products, including marine products, cashew kernels, coffee, spices and handicrafts.

Indo-Yugoslav Statistical Research

India and Yugoslavia have agreed on a programme of further cooperation in the field of statistical research. Under the programme, next year Yugoslav statisticians would receive further training in India and Indian specialists would visit Yugoslavia to assist Yugoslav activities in this field.

Indo-German Trade

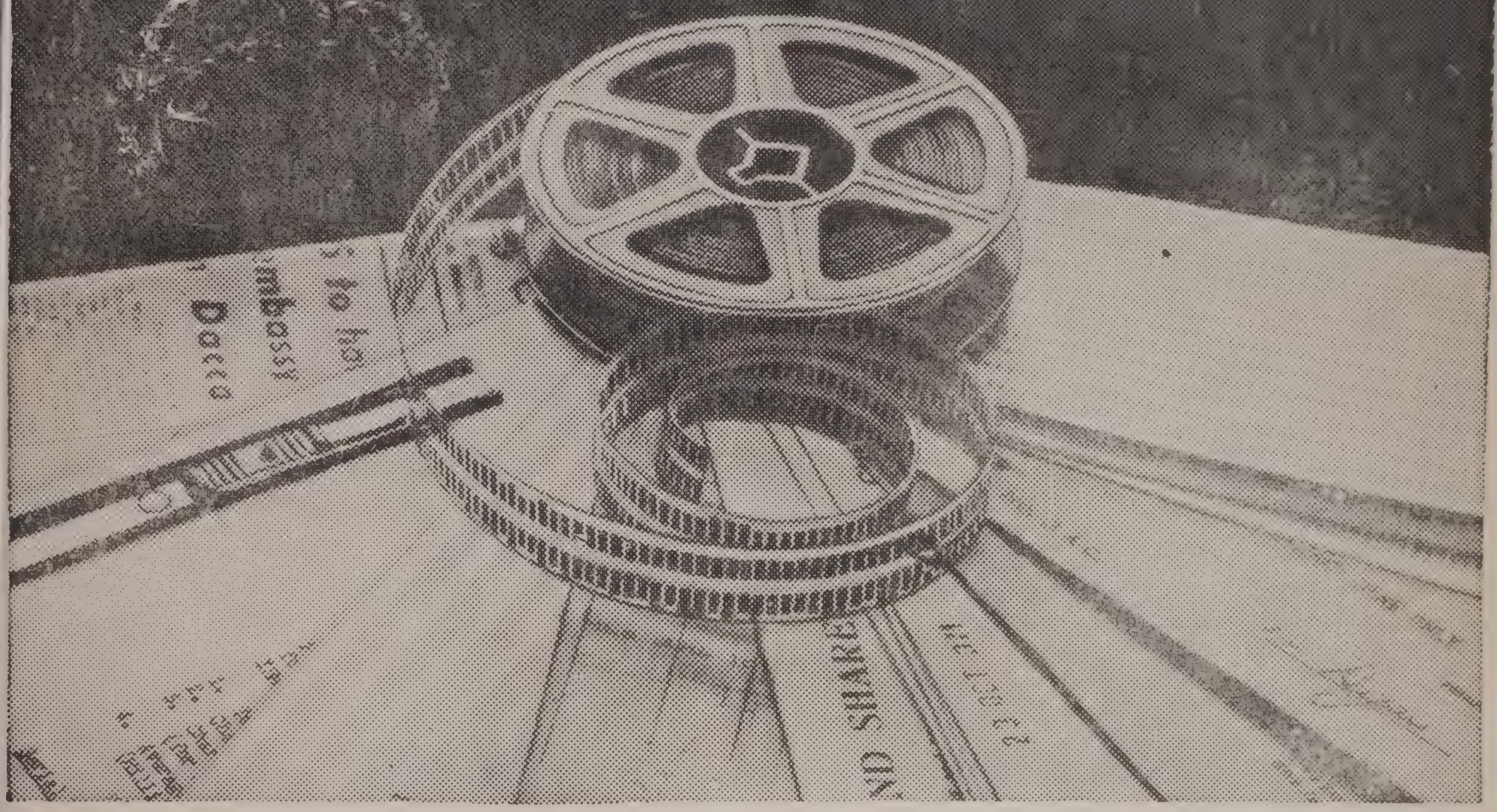
During the first six months of 1974, the volume of trade between India and the Federal Republic of Germany increased to Rs 201 crores from Rs 107 crores during the same period in 1973. Thus the volume of trade nearly doubled. Indian exports to Germany amounted to Rs 61.5 crores and Indian imports from Germany to Rs 139.5 crores.

Indian Oil Corporation

The Indian Oil Corporation made a net profit of Rs 22.17 crores for the year ending March 31, 1973, as against Rs 31.94 crores in 1971-72. The annual report of the Corporation and a government review on its working were placed on the table of the Lok Sabha recently. The turnover of the Corporation for 1972-73 amounted to Rs 996.15 crores as against Rs 862.04 crores for the previous year.

The review stated that the actual throughput of the Gauhati, Barauni and Gujarat

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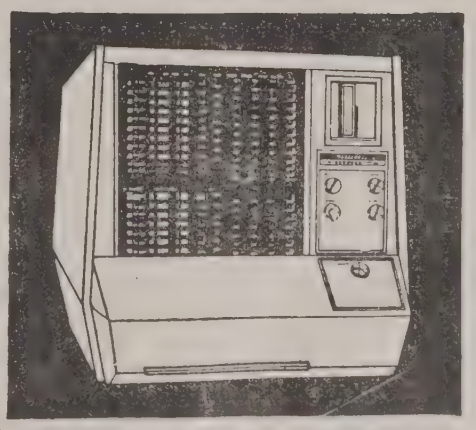


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PRICE : INLAND : Rs. 150.00 (POST FREE)
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lled 69,13,799 tonnes as nst a target of 7,025,100 nes. The feasibility report expansion of the Gujarat nery to 7.3 million tonnes been approved by the go- ment. Imported crude oil the expanded refinery would transported from the Gulf Kutch through a pipeline. expansion project was ex- ted to be ready by Febru- 1977. The detailed project ort for the six million-tonne acity Mathura refinery was ected to be furnished by the iet authorities in January 5.

pee-Rouble Exchange

The Indian rupee has hit a w low in its exchange rate h the rouble following the est readjustment of the rate the USSR Bank of Foreign de. The new rate announ- d by the bank recently and erational from September 9.47 roubles to Rs 100 ich is the lowest rate for pee so far. For three months ding August the rate was 55 roubles to Rs 100 and the adjustment is on the basis of e rupees linkage with the erling whose value is also duced for September from 78 to 1.72 roubles to a pound. ne rupee was quoted here at e constant rate of 11.39 ubles to Rs 100 for a long me until March this year hen the rate was revised. ccording to the bank autho- ties here, this was done to ring the rupee's relation to e rouble in line with its quation to other convertible rrencies.

ndo-Bulgarian Trade

The Bulgarian Ambassa- or in this country, Mr Stoyan aimov, told a press conference cently that Indo-Bulgarian ade was expected to reach a ew high this year as there ere many areas for augment- g the cooperation between e two countries. He added, owever, that only 25 per cent f the Rs 11.2 crores Bulga- an credit to India extended 1967 had so far been uti- sed. More credit would be vailable depending on its utilisation. Under this exist- ing credit 13 plants have been established. Among them the sulphuric acid plant at Sindri, having a daily output of 880 metric tonnes of sulphuric acid, is the largest. Mr Zai- mov pointed out that a sophis- ticated plant for the life-saving medicine, gamma-globulin, went into stream last year. It was proposed to set up a modern cooperative agricultu- ral farm near Bangalore. It would have facilities for food processing, poultry and experi- mental farming. Electronics was another possible field for useful cooperation between the two countries. He suggested, Bulgaria could also offer assis- tance to this country to manu- facture rose oil which was sel- ling at $ 15,000 a kg in world market.

Assistance from Denmark

An agreement for a new Danish loan of 50 million kro- ners (Rs 6.7 crores) was signed recently as a sequel to the talks held last May between an Indian delegation visiting Copenhagen and the Danish International Development Agency. The loan will be uti- lised for import of machinery for fertilisers, petrochemicals and rubber industries, electro- nics, electrical equipment, machinery for food processing, dairying and storage, and machine tools for small, me- dium and large-scale indus- tries. Denmark has also agreed to extend "grant assis- tance" of 250 million kroners (Rs 33.65 crores) to India during the fifth Plan, including 16.8 million kroners (Rs 2.26 crores) as debt relief. The terms of Danish assistance have become softer over the years and since 1968 these have been comple- tely interest free with a repay- ment period of 25 years, inclu- ding a grace period of seven years. The terms have now been further liberalised with the repayment period extend- ing to 35 years and the grace period to 10 years.

Unit Trust

The Unit Trust of India may make selective purchases of equities and place more em- phasis on acquiring fixed in- come securities and may emp- loy funds in the short-term money market till the climate of uncertainty in share markets prevails. It may enter the equity market in a relatively big way only after share prices stablise, according to Mr James Raj, Chairman of the Unit Trust. Mr Raj, who was addressing the members of the Bombay Shareholders' As- sociation, stated that the Trust would have to realign its in- vestment policy in view of the changed circumstances follow- ing restrictions on dividend payments. He added, however, that there was a satisfactory net inflow of funds and that the Trust's financial position was quite comfortable with cash on hand in short-term money markets totalling about Rs 15 crores.

Unit Trust of India has declared a dividend of seventy paise per unit under the Unit- Linked Insurance Plan for the year ended June 30, 1974. The rate of dividend is the same as in the previous years. The plan provides a facility for re- gular savings in the units of the Trust combined with life insurance cover for the ten year period of the Plan. The contributions under the Plan also rank for income-tax re- bate in the same manner as life insurance premia, contri- butions to provident fund etc. The dividend is automatically reinvested in further units under this Plan and as such no dividend warrants will be issued.

Power Shortage in Punjab

In a recent visit to the capital, Gaini Zail Singh, chief minister, Punjab, impressed upon the prime minister, Mrs Indira Gandhi, Mr Uma Shankar Dikshit, Home minis- ter, Mr C. Subramaniam, Food and Agriculture minister and Mr K. C. Pant, Irrigation and Power minister the need for increased electricity for the state. He told them that re- duced availability of power had prevented the farmers maximising production by using available agriculture technology and contributing maximum foodgrains to the national pool. He sought their help in expediting the clea- rance of Anandpur Sahib Hydel project, Mukarian Hy- del project and Thein Dam and U.B.D.C. stage II project as they were technically sound. He pleaded that the program- me of construction of these projects should be delinked from the settlement of inter- state disputes. He requested that power should be diverted from Rajasthan and Delhi Electric Supply to Punjab to enable the farmers to go ahead with their grow more food programme. He also appealed to them that additional diesel should be supplied to farmers of Punjab as they were suffer- ing hardship due to its shor- tage.

Rural Electrification Corporation

The Rural Electrification Cor- poration (REC) has introduced two new categories of loans. The first, a 30-year loan is intended exclusively for rural electrifica- tion projects in the MNP (Minimum Needs Programme) areas. This loan which car- ries an effective rate of inte- rest of 5¾ per cent during first ten years, 6¼ per cent for the next 10 years and seven percent thereafter, will be confined to villages only, but in the case of specially under-developed, hill and tribal areas, may in- clude small towns having a population of not exceeding 20,000. The second category of loan termed as Advance Loan for Potential Project Areas (ALPPA) will cover areas which have an immediate or proximate potential for agricultural development and in respect of which within one to two years there is a pros- pect of a regular REC project materialising. During the cur- rent year 10 MNP and eight PPA schemes have been sanc- tioned by the corporation. Another important feature of the corporation's loan policy during the current year is the decision to finance, if the need arises, small power generation units in remote rural areas.

This will, however, be done only in areas which have a potential for development and where local generation will be the cheapest of alternatives for providing electricity.

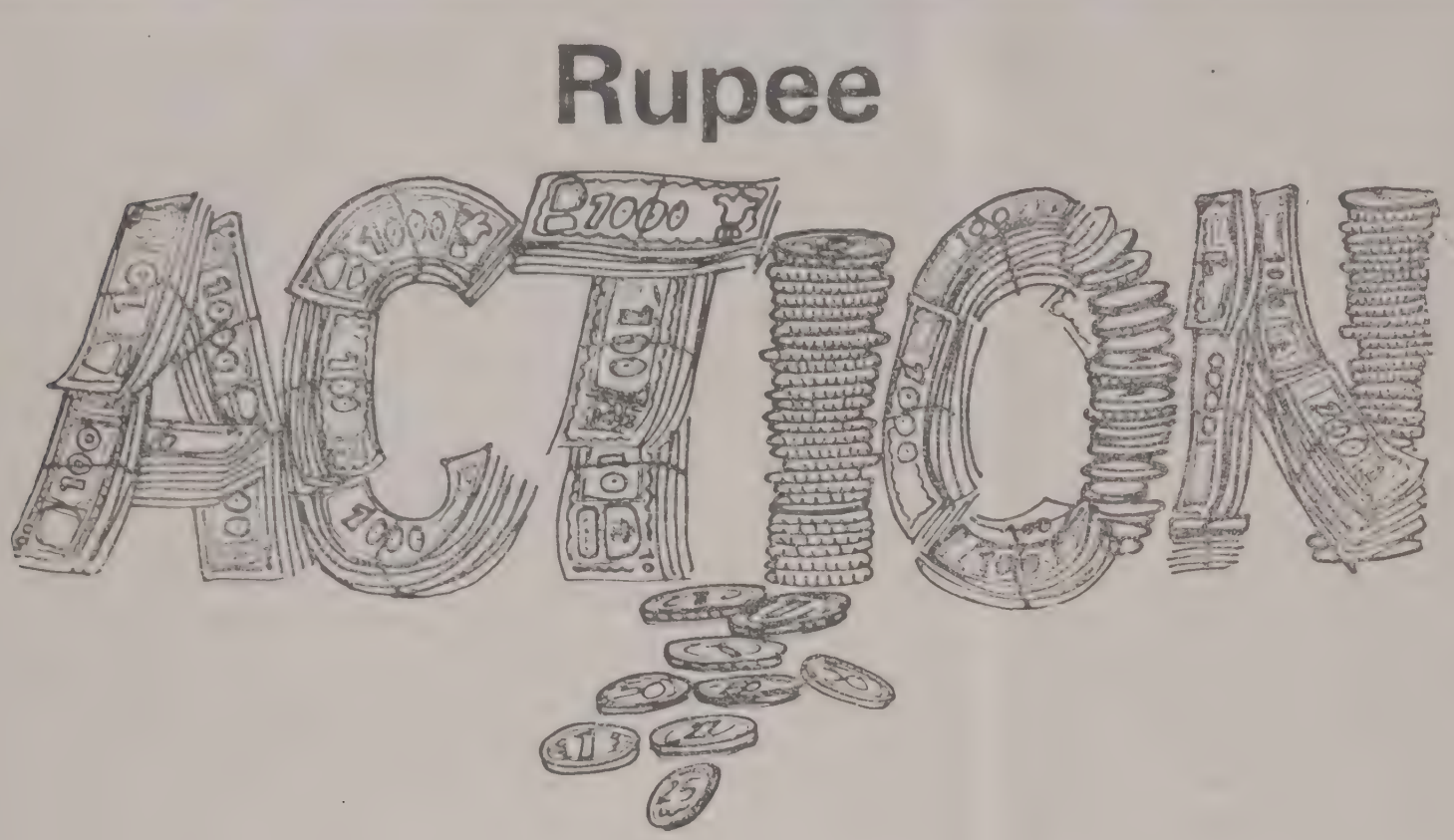
The corporation has to date sanctioned 703 projects involving a loan assistance of Rs 327.36 crores. When completed, these schemes will result in extension of electricity to about 59,000 villages and provide power for nearly 5.95 lakh agricultural pumpsets. Additionally, these schemes will supply energy for over 94,000 agro-based and light industries, besides providing for 2.15 million commercial and domestic connections and 350,000 street lights in the rural areas. The corporation has in addition sanctioned 85 schemes for the electrification of harijan bastis for which loan assistance of Rs 3.92 crores has been approved. In the four years of its active life as an institution of development finance, REC has sanctioned 651 area-based development projects of which 342 are in the backward and specially under-developed areas.

New Tyre Units

The West Bengal Industrial Development Corporation signed a detailed technical agreement with Dunlop Limited, England, and Dunlop India Limited in London on August 27, providing for the establishment at Durgapur of an automotive tyre factory to manufacture 500,000 tyres and tubes every year. A Dunlop India announcement stated that a similar agreement was signed in London between the Andhra Pradesh Industrial Development Corporation and the Dunlop units for a tyre factory at Guntur. Under the agreements, Dunlop England will provide the know-how and technical documentation for the factories continuing technical information will be supplied by both Dunlop England and Dunlop India for five years from the commencement of production. It is expected that the factories will be ready for production by 1977-78. The new tyre factories will help meet the demand for automotive tyres, particularly truck tyres, which are in short supply in the country.

Kerala Electronics

The Kerala State Electronics Development Corporation has developed in less than one year of its inauguration a number of sophisticated industrial and consumer products which were launched recently under the brand name "Keltron". The products include electronic calculators, variable speed drives, production monitoring systems, uninterruptible power supply systems, mechanical, electromagnetic and electronic counting devices with digital displays, under frequency detection and control equipments, 16 mm cine projector, loud-speakers, direct current magnetiser and information display systems. The corporation



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ire of TV receivers. Its ent capacity is 5,000 which go up to 20,000. Mr .P. Nambiyar, Chairman the corporation revealed ntly that it was planned et up plants for the manu- ure of piezo-electric cry- s used in communication pment, colour TV receivers digital clocks.

ooter Unit in Bihar

Mr T.A. Pai, union minis- for Heavy Industries, laid foundation stone of a Rs crore scooter factory at wah near Patna. A project he Bihar State Industrial velopment Corporation, the tory, when commissioned uld produce 30,000 scooters tually by 1979-80. It would t with an annual produc- n of 6,000 scooters in 75-76.

dyami Awards

Eight entrepreneurs were pre- ted the Udyami Shri awards 1974 at a function in Vigyan avan recently. The award nners were: Mr Anand ushan, Mr Asit Kumar ar, Mr Dilip Kumar Hore, Maheshwar Sahai, Mr P.K. pta, Mr R.N. Biswas, Mr vi Mohan Monga and essrs Technofab Engineer- g (Pvt.) Ltd. President khruddin Ali Ahmed inaugu- ed the seventh annual con- ence of the National Alliance Young Entrepreneurs AYE) and the second anni- rsary of BINEDS (Bank of dia—Naye Entrepreneurship evelopment Scheme).

Dealing with the role young trepreneurs could play, Mr med referred to the setting of agro-service centres in ral areas and pointed out the duction of entrepreneurs o would promote innova- ns and ideas. It would also event migration of educated uth from rural areas to ur- n areas. Mr Ahmed also esented the Laghu Udyog tna award for 1974 to the hairman of Bank of India, r J.N. Saxena. The con- ence decided that the 1975 ard of Laghu Udyog Ratna

Names in the News

Mr Moeen A. Qureshi has become Vice President of the International Finance Corporation. He succeeds Mr Ladislaus Von Hoffmann, who becomes Executive Vice President of the Corporation on the retirement of Mr William S. Gaud. Mr Qureshi, a Pakistan national, has been Economic Advisor in IFC since 1970.

Mr **Jayant J. Mehta** until recently Chairman and Managing Director of Indian Petro-Chemicals Corporation Limited at Baroda, has taken over charge on August 31, 1974 as Chairman and Managing Director, Polymers Corporation of Gujarat Limited, Chairman of Gujarat Alkalies and Chemicals Limited and Director, Gujarat Industrial Investment Corporation Limited.

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Equities Slip Back

THE WEEK ending September 7, witnessed the stock markets in the country in a rather depressed mood. In the absence of buying interest, there was some nervous unloading, leading to a fall in share values. The decision by the Unit Trust of India to make purchases in equities when the market stabilised, further affected the sentiment adversely. It was clear that the financial institutions were not keen to lend support to the market. Dalal Street was demoralised following the disappointing dividend announcements by major companies. Some leading equities touched a new low for the year. The power situation in the country which has been deteriorating rapidly has been causing concern. With the possibilities of power disruption, the fear of fall in industrial production was not baseless. Under these circumstances, the stock market was bound to be far from optimistic.

Birla Jute

The directors of the Birla Jute Manufacturing Co. stated in their annual report for the year ended March 1974 that the company's new cement plant being set up at Durgapur is expected to be ready for trial runs from October and achieve regular production from March 1975. This, however, is subject to the availability of power from DVC, with which the company has a long standing agreement for the supply of 6,000 kva of power. In case there is any delay in getting the contracted power, it will hold up the commissoining of this plant, which is the first and only cement factory being set up in West Bengal. The company's application for setting up a clinker unit at Patratu in the Hazaribagh district is still awaiting government sanction.

Due to the company's own power plant at Birlapur, its production and export of jute goods did not suffer. Power cuts have seriously affected the working of the jute industry in the state. Another factor affecting production of jute goods was the long-drawn industry-wide strike for 33 days in January-February 1974. The prospects of the jute crop in the current year are not bright. With the help of increased production and rising demand, the working of the company's calcium carbide division during 1973-74 revealed an improvement over the previous years. Production of calcium carbide was 14,764 tonnes (13,137 tonnes), of oxygen 1,962 million cubic metres (1,864 million cubic metres) and of acetylene gas 154,000 cubic metres (159,000 cubic metres).

Zenith Steel Pipes

The directors of Zenith Steel Pipes Ltd have proposd to issue, subject to the sanction of the controller of capital issues, bonus shares in the ratio of four shares for every five shares held by capitalising a sum of Rs 1.12 crores out of the company's reserves. They have also recommended a dividend of 12 per cent, the maximum permitted for the year ended April 30, 1974, against 14 per cent paid for the previous year. The company has shown good performance for 1973-74 with a gross profit jumping to Rs 2.55 crores from Rs 93.34 lakhs for the previous year. Its sales increased by 83 per cent to Rs 17.73 crores from Rs 9.70 crores.

The sharp rise in sales and profit is attributed to improved plant efficiency and adequate availability of major raw materials — steel and zinc. The production of steel pipes increased by 25 per cent during the year. The licensed capacity, as a result of technical improvements effected, has been assessed higher at 91,000 tonnes against 72,000 tonnes a year by the DGTD. During the current year, the company's production, sales and exports are considerably larger than those in the corresponding period last year. The company's sales during May-August 1974 have totalled Rs 9.20 crores against Rs 4.52 crores in the corresponding period last year. Its production has amounted to 16,000 tonnes against 14,000 tonnes. Its exports, which touched a record level of Rs 5.88 crores during 1973-74 — an increase of 150 per cent over 1972-73. The value of steel pipes exported during the first four months of this year is placed around Rs 2.77 crores against Rs 1.11 crores for the corresponding period last year. The company's mini-steel plant at Khapoli is expected to start production shortly and its tools manufacturing division

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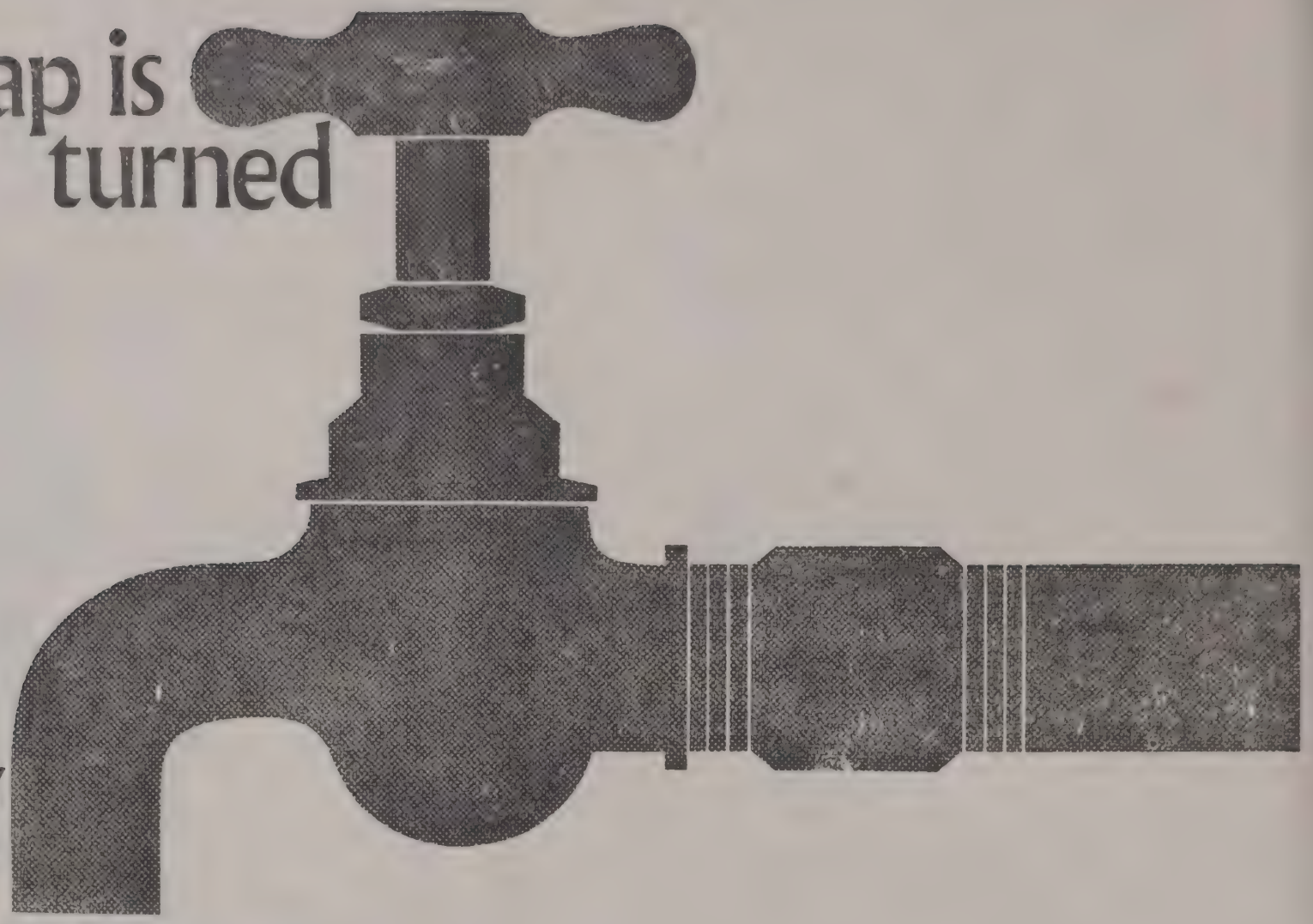
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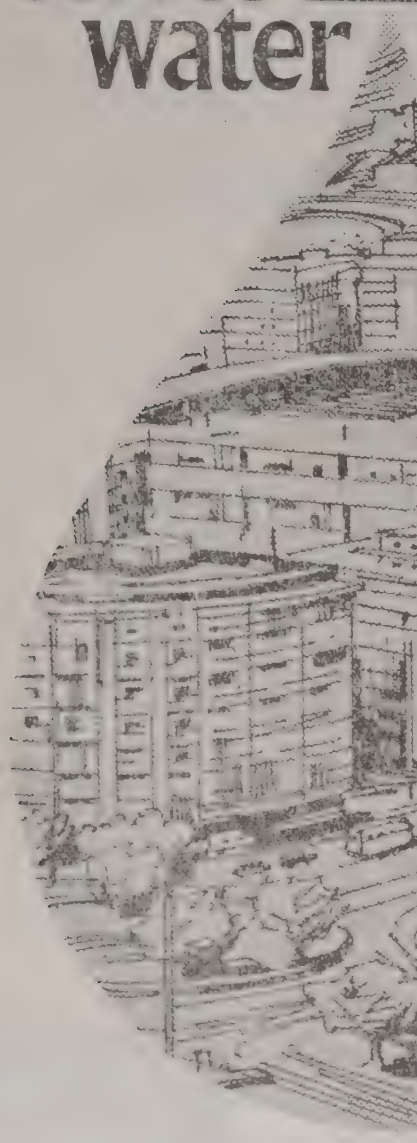
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has achieved a further improvement in production and quality. The company has entered into a technical collaboration agreement with an American firm for the manufacture of industrial knives.

Out of the gross profit of Rs 255.24 lakhs during 1973-74, the directors have provided Rs 15.29 lakhs for depreciation and Rs 2.10 lakhs for development rebate reserve. No provision has been made for tax liability estimated at Rs 159.30 lakhs. Taxes, when due, will be paid out of the general reserve to which a sum of Rs 2.39 crores is transferred. The proposed dividend will claim Rs 16.80 lakh.

Tata Power

Mr Naval H. Tata, Chairman, the Tata Power Company Ltd. expressed grave concern at the annual general meeting held recently, regarding the problem of recurring power shortages throughout the country. The cumulative effect of the electric energy crisis on the economy of the country was too obvious to need a special mention, he added. To prevent an unprecedented crisis in the economy, a crash programme would be inevitable not only to commission the projects which had spilled over from the fourth Plan, but also to take suitable timely corrective action, at an expeditious pace, with regard to those projects which had been included in the fifth Plan. The country's installed generating capacity stood at 16.55 mkw at the end of the fourth Plan and it was intended that this should be doubled during the fifth Plan.

Mr Tata stated that during the past year the company's thermal station received a meagre 70,000 tonnes of coal against a promised supply of 175,000 tonnes. He hoped that coal rasings would be streamlined and transport system would be improved to meet massive requirements of coal for the country's future thermal generation. In the context of legislation governing electricity utilities Mr Tata indicated that the Electricity (Supply) Act should make ample provision for servicing of loans and borrowings, ploughing back of earnings for rehabilitation, modernisation and expansion, and deferred liability arising out of such modernisation and expansion.

He added that it would be tragic to disturb efficient units on the plea of termination of licences when they had the scope, capacity and expertise for expansion, to play their legitimate part in the national target of maximising generating needs. The extension of tenure of licences of such utilities must be ensured in advance as an incentive to their continued active participation in the much needed growth, he said.

Tensile Steel

During the year ended March 31. 1974. Tensile Steel Ltd. has recorded a drop in turnover from Rs 3.21 crores to Rs 3.07 crores. The gross profit has registered a fall of almost 50 per cent, from Rs 49.93 lakhs to Rs 25.82 lakhs. The



directors have proposed an equity dividend of Rs 3.50 per share against Rs 15 for the previous year. The production of pre-stressed concrete wire fell from 9,603 tonnes to 9,063 tonnes. The ban on exports has been removed and the company is trying to build up exports which are remunerative at present. The company expects to complete this year an expansion in the production capacity from 10,000 tonnes to 17,500 tonnes a year. Meanwhile it has received a letter of intent for the manufacture of 10,000 tonnes of stabilised wire a year.

Hindustan Everest

Hindustan Everest Tools Ltd., formerly known as Hindustan Dowidat Tools Ltd, has earned a gross profit of Rs 24.77 lakhs for 1973-74 as against is 16,797 lakhs in the previous year. The company has achieved an increase in the production by 16.8 per cent and in sales by 29.3 per cent despite shortages and escalation of costs of almost all inputs and heavy power disruptions. This level of performance was possible due to implementation of modern management techniques resulting in improvement in operational efficiency. In view of the dividend ordinance the directors have recommended a dividend of 8 per cent. The company's exports total Rs 120.07 lakhs against Rs 106.90 lakhs.

Larsen and Toubro

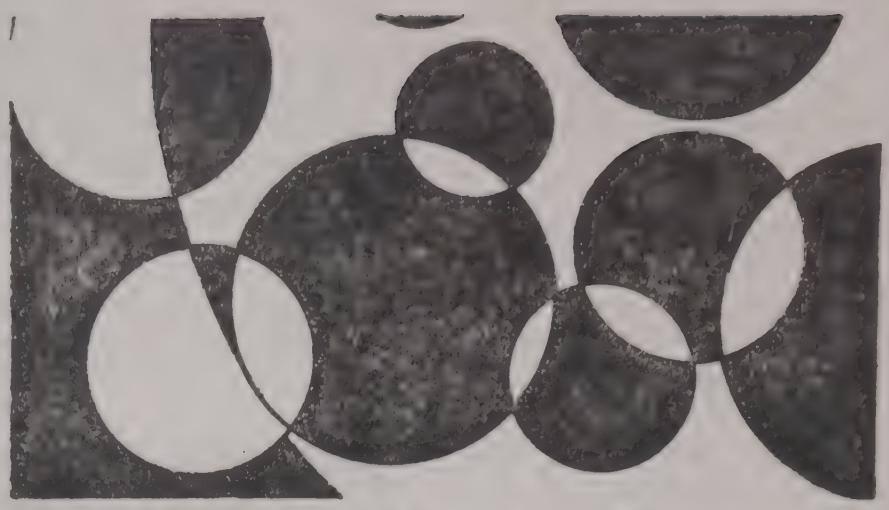
The directors of Larsen and Toubro Ltd have decided to issue rights shares of Rs 10 each at a premium of Rs 6 per share in the ratio of one share for every four shares held. The proceeds of the rights issue totalling Rs 2.38 crores will be utilised to meet a part of the finance for the company's expansion programme. After the rights issue, subject to sanction by the government, the company's equity capital will be increased to Rs 7.45 crores. Announcing the rights issue, the company's chairman, Mr H. Holck-Larsen, told sharesholders at the annual meeting in Bmobay recently that the company needed additional funds to finance its new project for the manufacture of hydraulic excavators at Bangalore and for expansion of facilities for the manufacture of paper machinery and other products. The Company's working so far in the current year is quite encouraging. Its sales during the first five months of this year (April to August) have totalled Rs 20.4 crores against Rs 11.7 crores in the corresponding period last year, an increase of 74 per cent. Its production has increased by 70 per cent to Rs 12.8 crores from Rs 7.6 crores.

Bharat Overseas Bank

Mrs Sushila Rohatgi, deputy minister for Finance recently inaugurated the New Delhi branch of Bharat Overseas Bank, the second branch in the country. Its first branch was opened in Madras in October last. The bank has other banks as its shareholders and has been set up with the idea of having a major portion of its operations outside the country. It came into being under a special scheme approved by the union government for the immediate purpose of taking over the Bangkok branch of Indian Overseas Bank as the continuance of the branch of a nationalised bank there was not in in keeping with the national policies of Thailand. The bank has plans to open branches in Bombay and Calcutta shortly. It is proposed to open a few branches abroad too. Mrs. Rohatgi hoped that the bank would make an important contribution to the promotion of India's international trade, particularly with its nieghbours in South-East Asia. Mr P. V. Sheshagiri, Chairman of the Bank, urged the government to allow small banks to pay additional interest so as to attract deposits.

Tube Investments

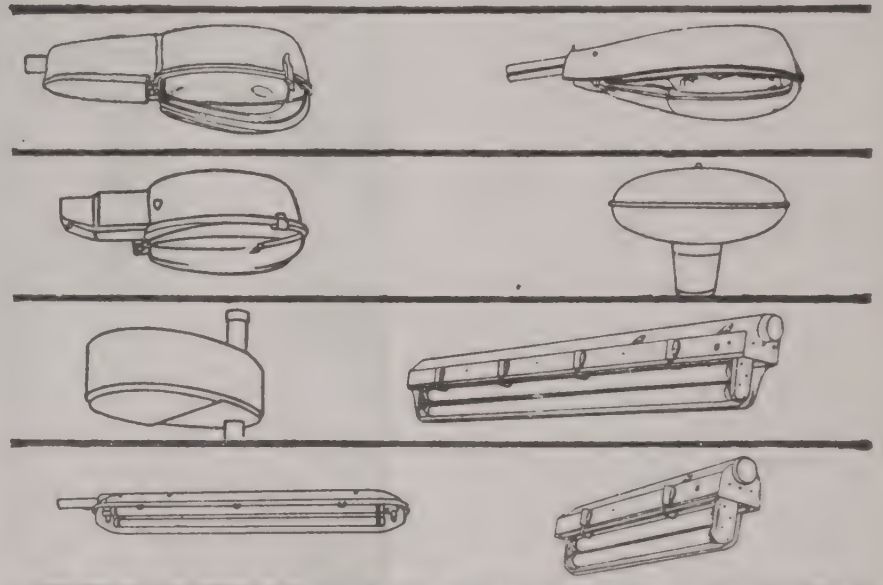
Tube Investments of India Ltd (TI), manufacturers of several popular brands of bicycles, are poised for an all-round expansion in their capacity for which they have finalised their plans. It was revealed recently that the present output of 500,000 bicycles would go up



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e company also hoped to
able to produce a 5-speed
ar suitable for use in cycles.

lew Issues

Incon (*India*) *Limited* is set-
ng up a plant at Jaipur with
S collaboration for the manu-
cture of carpets, decorative
gs, wall hangings, tapesteries
man-made fibres, including
llulose rayon, polypropylene
nd nylon. The plant will be
e first of its kind in South-
ast Asia. The collaborators
ave agreed to take up 40 per
nt of equity capital in addi-
on to supply of know-how.
hey have also undertaken to
elp in the export of 60 per
nt of the company's produc-
on. The foreign component
f the machinery is Rs 15.88
khs and the indigenous Rs
.55 lakhs.

The company will be enter-
ng the capital market shortly
ith a public issue of Rs 7.90
khs—Rs 4.02 lakhs in equity
hares of Rs 10 each and Rs
.88 lakhs in preference shares
f Rs 100 each. The promo-
ers have taken up equity
hares of Rs 3·30 lakhs and
reference shares of Rs 2
akhs. Equity shares worth
Rs 4.68 lakhs and preference
hares worth Rs 12,000 have
been reserved for the collabo-
rators. The government of
ndia has agreed to grant a
icence for the import of poly-
propylene, the raw material,
against exports. The company
foresees no difficulty in selling
the balance of 40 per cent of
its production indigenously.

Universal Plast Ltd., which
is setting up near Ghaziabad
(UP), a Rs 142-lakh project
for the manufacture of 1500 tonnes of PVC sheets and films per annum, will enter the market on September 24, with a public issue of Rs 36.80 lakhs in equity shares of Rs 10 each at par. The subscription list will close on October 5, or earlier but not before September 28. The project, which was already under-way was expected to start commercial production from January next. It has been indicated that the company would be able to pay a maiden dividend of 10 per cent for 1975. Against the actual production of 8,000 tonnes last year, the demand for PVC sheets and films (unsupported) would be about 14,000 tonnes per annum by 1975 and 25,000 tonnes by 1978. It has been stressed that this is the only project of its kind in northern India, and its entire production would be consumed in northern region, mostly in Delhi alone. To meet the problem of power shortage, the company has placed an order for a generator from GDR.

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RECORDS AND STATISTICS

Index numbers of agricultural production in India—1972-73

THE OVERALL agricultural production registered a sharp decline in 1972-73 over its year ago level as measured by the index of agricultural production (with base, triennium ending 1961-62=100). The index of agricultural production at 118.5 per cent compared to the level of 130.4 in 1971-72. This decline was the second largest since the era of planning began in 1951-52, the first major decline being 16.7 per cent in the year 1965-66. Deficient and uneven rainfall during the *kharif* season and prevalence of long dry spell of wheather were the main factors behind this steep decline. Majority of the states had to face drought conditions, five of them severely.

Scarce rainfall

After two good years of harvest resulting in an increase of about seven per cent in each of the years, 1969-70 and 1970-71, the year 1971-72 witnessed a slight fall of 0.8 per cent in the index of agricultural production. The widespread deficiency in the rainfall in 1972-73, however, resulted in an accelerated fall in agricultural production in that year. Besides inadequate and eratic rainfall in several parts of country, there were also floods in the Ganga and the Brahmaputra plains and two successive tidal waves in Orissa which caused considerable damage to the standing crops. These adverse conditions resulted in a fall of 4.7 per cent and 5.8 per cent, respectively, in the area under crops and yield. To offset the shortfall in the *kharif* production, special measures were undertaken under the Emergency Agricultural Production Programme (EAPP) for increasing the production under *rabi* crops. The measures included raising the area under cultivation, especially under wheat and providing special assistance to state governments for extending irrigation facilities as also for increasing the supplies of fertilisers, seeds and pesticides.

Seriousness of efforts

The seriousness of the efforts to increase agricultural production may be seen from the provision in the central budget for short-term loans for agricultural inputs which was raised from Rs 60 crores to Rs 100 crores. However, an unbroken spell of drought in *rabi* jowar growing areas, occurrence of early hot winds (in February-March) and of rust in wheat areas and shortage of power for lift irrigation adversely affected the *rabi* foodgrains production. Even the production of wheat, which had registered a steady increase since 1967-68 after the introduction of high yielding varieties, declined by 5.6 per cent and its index of yield registered a decline of 9.1 per cent. This was in spite of an increase of 3.9 per cent in the index of area under wheat in 1972-73.

The year under review witnessed decline in the index of agricultural production of foodgrains as well as non-foodgrains. A decline of 9.7 per cent in the index of production of foodgrains, which incidentally accounts for about two-thirds of the total weight in the index, mainly contributed to the overall decline in the index of agricultural production. Comparatively, the fall in the index of non-foodgrains was only slightly lower at 8.0 per cent. Among foodgrains, index of cereals decline by per cent and that of pul by 14.1 per cent All the cr under cereals, expecpt mai contributed to the fall in index of production of 'cere sub-group. In the case maize, both its yield and area under it, showed an crease during the year und review. The steep decline the index of pulses was mai due to a fall in the pr

TABLE I

Index Numbers of Agricultural Production

(Base: Triennium ending 1961-62=10

	Index Numbers			Percentage annual variatio		
	All crops	Food grains-	Non-food-grains	All crops	Food grains	Nor food grai
1960-61	102.7	102.1	103.8	+8.9	+7.2	+12.
1961-62	103.0	102.7	103.5	+0.5	+0.6	−0.
1962-63	101.4	99.4	105.4	−1.6	−3.2	+1.
1963-64	103.9	101.7	108.2	+2.5	+2.3	+2.
1964-65	115.0	112.0	120.9	+10.7	+10.1	+11.
1965-66	95.8	89.9	107.1	−16.7	−19.7	−11.
1966-67	95.9	91.9	104.7	+0.1	+2.2	−3.
1967-68	116.6	117.1	115.6	+21.6	+27.4	+11.
1968-69	114.8	115.7	113.2	−1.5	−1.2	−2.
1969-70	122.5	123.5	120.5	+6.7	+6.7	+6.
1970-71	131.4	133.9	126.6	+7.3	+8.4	+5.
1971-72	130.4	131.6	128.0	−0.8	−1.7	+1.
1972-73	118.5	118.8	117.8	−9.1	−9.7	−8.

TABLE II

Average Annual Percentage Variations in the Index of Agricultura Production

Period	Average annual percentag variations		
	All crops	Food-grains	Non food grain
1951-52 to 1955-56	+4.3	+5.2	+2.
1956-57 to 1960-71	+4.3	+4.0	+5.
1961-62 to 1965-66	−1.0	−2.0	+0.
1966-67 to 1968-69	+6.7	+9.5	+2.
1969-70 to 1972-73	+1.0	+0.9	+1.
1961-62 to 1972-73	+1.6	+1.9	+1.
1951-52 to 1972-73	+2.8	+3.1	+2.

Note: For the period 1950-51 to 1958-59, the original indicie with base 1949-50=100 shifted to the base for the triennium end ing 1961-62=100 have been used.

on of gram and 'other s'. The decline in the of non-foodgrains by 8.0 cent was mainly because fall in the output of oil- s (—18.0 per cent) fibres 5.2 per cent) and condi- ts and spices (—9.5 per).

ndividual commodities h recorded significant dec- in production indices du- the year were groundnuts 6.5 per cent), bajra (—28.7 cent) and seasamum 20.9 per cent). Cotton, ar and chillies (dry) re- ded decreases ranging from per cent to 20 per cent in index of production while fall in tobacco, ragi and rice ged between 10 per cent and per cent. Commodities ose indices showed a sub- ntial increase were coffee -30.4 per cent), rapeseed d mustard (+29.3 per nt), maize (+21.7 per cent) d sugarcane (gur) (+8.7 r cent).

ll in production

Table I shows the index mbers of agricultural pro- uction for all crops, food- ains and non-foodgrains nd percentage annual varia- ons therein from 1960-61 to 972-73. It may be seen that ne decline in the index of gricultural production which as marginal in the previous ear dipped further, showing fall by 9.1 per cent during he year under review. After he steep decline of 19.7 per ent in 1965-66, foodgrains roduction index was general- y going up till 1970-71 except or a slight decline in 1968-69. Thereafter it showed a fall by 1.7 per cent in 1971-72 and a further decline of 9.7 per cent in 1972-73 in sharp contrast to the upward movement of the index in the preceding two years. In the case of non- foodgrains also, the index du- ring the year under review showed a decline by 8.0 per cent as against increase during the three preceding years.

The trends in the produc- tion indices of certain selected crops are discussed in the following paragraphs :

Foodgrains: The fail of 4.3 per cent in the index of area under crops mainly contributed to the decline of 9.7 per cent in the index of production of foodgrains. Among cereals, the index of production of rice at 113.3 recorded a significant decline of 10.3 per cent from its peak level attained in 1971-72. However, at this level the index was still higher than its level in 1966-67 which was the most recent bad year. The indices of area under crop and yield declined by about five per cent each during the year under review.

Decline in wheat

In the case of wheat, the index of production at 223.9 recorded a significant decline of 5.6 per cent during 1972-73. The index of area under crop increased by 3.9 per cent but the yield index declined significantly by 9.1 per cent. The area under crops in respect of all the coarse cereals except maize declined during the year under review; the fall in the case of jowar was steeper at 11.7 per cent, in spite of the crash programme to bring additional five lakh hectares of land under cultivation of *rabi* jowar. Similarly, there was an all-round decline in the index of yield of coarse cereals except maize. Production of bajra and small millets declined by 28.7 per cent and 11.8 per cent, respectively. Maize was the only cereal which showed an increase in production during the year under review with a substantial rise of 21.7 per cent due to an increase of about 21 per cent in its yield index.

The production index of pulses declined significantly during the year by 14.1 per cent mainly as a result of a fall in the index of area under crop by 7.9 per cent. Gram and 'other pulses' under this sub-group recorded decline in production, the decline in gram being 12.1 per cent. The fall in the production index of gram may be mainly attributed to a fall in the area under the crop by 12.3 per cent since there was improvement, though nominal, in the yield index. On the contrary, the increase of 3.8 per cent in production of tur was brought about by a rise of 4.5 per cent in the index of yield although the index of area under crop had shown a marginal decline.

Widespread drought

Non-foodgrains: The index of non-foodgrains at 117.8 also registered a significant decline by 8.0 per cent as against an increase of 1.1 per cent in 1971-72. This decline was due to a fall in both area under crop and yield, the indices of which declined by 6.3 per cent and 5.0 per cent, respectively. The sub-group 'oilseeds' recorded the sharpest decline of 18.0 per cent in production during the year under review The decline in the production of 'oilseeds' was mainly due to a fall in the output of groundnuts (accounting for about 50 per cent of the weight of the 'oilseeds' subgroup) by about 36 per cent—the index at 84.8 being the lowest since 1959-60. The fall in production of groundnuts is attributed to widespread drought in major groundnut producing states such as Gujarat, Mysore, Tamil Nadu and Andhra Pradesh. Among the oilseeds, only rapeseed and mustard recorded significant improvement in production by 29.3 per cent despite a fall in the area under crop because of an increase of 38.1 per cent in the yield index. All the other oilseeds, except safflower which recorded a decline in production index by about 40 per cent, showed a fall ranging from 10 per cent to 20 per cent in their production index.

Better yield

The 'fibres' sub.group also recorded substantial decline in production by 15.2 per cent. The fall in area under this subgroup by 2.4 per cent was not much but that in yield was quite notable (—10.9 per cent). This was in sharp contrast to the substantial increase of 33.5 per cent in production recorded by this sub-group in 1971-72. This improvement was as a result of a better yield, the index of which showed an increase of 29.4 per cent. The fall in the production of cotton by 16.4 per cent during the year under review was, to some extent, due to shrinkage in area which in turn may be attributable to unfavourable weather conditions at the time of sowing, but mostly due to



decline in its yield (—15.3 per cent).

The yield index of cotton had shown a distinct improvement of 42.5 per cent resulting in an increase of 45.9 per cent in production in 1971-72. Bulk of the decline in production in 1972-73 which was registered by Gujarat, was mainly due to the lower yield caused by prolonged drought in the state from the middle of July 1972 onwards. The production of jute also declined by as much as 14 per cent. This was due to a fall in the area under cultivation (mainly in West Bengal) by about 14 per cent owing to severe drought that prevailed in almost all the jute-growing states. However, the decrease in production was offset, to some extent, by Bihar and Uttar Pradesh.

Improved plantation

'Plantation crops' was the only sub-group which showed an improvement in all respects, in terms of production, area under crops and yields during the year under review. All the plantation crops contributed to this improvement. The index of production of tea reached a new peak level of 154.8 during the year. The index of production of coffee increased by 30.4 per cent as against a sharp decline of 37.4 per cent in the previous year. The index of production of rubber had also shown a notable increase of 11.0 per cent due to improvement, both in the area under crop and in yield.

The decline by 9.5 per cent in the production index of 'condiments and spices' subgroup was mainly due to a fall in the index of chillies (dry) by 17.4 per cent. In spite of an increase in area under crop by 3 8 per cent, the production index of fruits and vegetables showed a decline of 4.6 per cent because of a fall in its yield index by 8.2 per cent.

The production index of sugarcane (gur) improved by 8.7 per cent due to increase in the area under crop during the current season owing to



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ourable weather conditions the time of sowing and also e to improved yield during year under review.

Trends in growth: Average nual percentage variations the indices during the three e-year Plan periods, three An- al Plans, the first four years the fourth five-year Plan d for the periods 1961-62 1972-73 and 1951-52 to 72-73 are presented in Table Over the two decades ding 1972-73, agricultural tput has grown at the erage annual rate of 2.8 per nt, and its components, viz., odgrains and non-foodgrains, the rate of 3.1 per cent and 5 per cent, respectively, more less just off-setting the pulation growth rate.

ıfavourable weather

It may be seen that during e first two five-year Plan riods, the index of agricul- ral production for all crops d increased at a steady rate 4.3 per cent per annum. owever, because of unfav- rable weather conditions in e country during 1962-63 and ain in 1965-66, the trend was versed during the third five- ar Plan when the production dex of foodgrains showed a cline by 2.0 per cent per num, resulting in a fall of 0 per cent in the 'all crops' dex. The index of non- odgrains, however, had own a marginal rise of about ıe per cent per annum during is period.

The average annual growth te during the three Annual ans (1966-67 to 1968-69) was 7 per cent for all crops. This markable growth rate during is period was solely due to exceptional increase of 21.6 r cent in production in 67-68. This increasing mpo was maintained during e first two years of the fourth e-year Plan. But thereafter started declining, bringing wn the average growth rate a low level of one per cent ring the first four years of e fourth Plan. The average nnual increase in the produc- n index during the period 1951-52 to 1972-73 works out to 2.8 per cent for all crops and 3.1 per cent and 2.5 per cent for foodgrains and non-foodgrains, respectively, while these retes for the period 1961-62 to 1972-73 work out to 1.6 per cent for all crops and 1.9 per cent and 1.3 per cent for food- grains and non-foodgrains respectively.

Seasonal factors

Conclusion: As stated earlier, because of the drought conditions which prevailed in all parts of the country in 1972-73, the performance of agriculture in the year under review has turned out to be poor. Seasonal factors also rendered crash programmes for increasing agricultural production in *rabi* season inef- fective. In spite of all efforts to increase production in *rabi* season of 1972-73, there was a fall of 10.0 per cent in the total *rabi* foodgrains produc- tion over the previous year. However, the level of index of agricultural production at 118.5 is still much higher when compared with that of 1965-66 and 1966-67 which were the worst years for Indian agri- culture, although severity of the 1972-73 drought was per- haps comparable to that of 1965-66 and 1966-67. This was in evidence in the individual crops such as rice, wheat, ragi, etc., whose production was badly affected during 1972-73 but still its level was higher than that in 1965-66.

The average growth rate per annum during the last twenty two years works out to 2.8 per cent for all crops whereas it is only 1.6 per cent from beginning of the third Plan. The above review leads us to the conclu- sion that not only the amount but also the distribution and timeliness of the rainfall still remains the main determinant of the annual farm output, especially when nearly three- fourths of the farm-land in India is rainfed. Fortunately, according to all indications available till now, it appears that the agricultural output in 1973-74 is very likely to record a significant increase.

Annexure I

All India Final Estimates of Principal Crops, 1972-73.

Crop	Area ('000 hectares)		Production '000 tonnes)	
	1972-73 (final)	1971-72 (Revised)	1972-73 (Final)	1971-72 (Revised)
Foodgrains				
Rice	36,019.2	37,757.8	38,632.8	43,068.0
Jowar	14,810.7	16,777.0	6,442.5	7,721.9
Bajra	11,716.0	11,773.3	3.795.2	5,319.1
Maize	5,735.5	5,665.6	6,206.0	5,100.5
Ragi	2,286.0	2,425.0	1,913.6	2,208.5
Small Millets	4,715.9	4,477.3	1,473.7	1,669.4
Wheat	19,881.2	19,138.9	24,922.6*	26,409.9
Barley	2,405.9	2,455.3	2,326.9	2,577.0
Total Cereals	97,020.4	100,472.2	85,713.3	94,074.3
Gram	6,939.5	7,912.4	4,469.0	5,080.7
Tur	2,330.2	2,345.5	1,747.5	1,683.0
Other Kharif Pulses	6,180.5	6,570.5	1,181.0	1,653.0
Other Rabi Pulses	4,958.5	5,322.2	2,090.4	2,676.7
Total Pulses	20,408.7	22,150.6	9,487.9	11,093.4
Total Foodgrains	117,429.1	122,622.8	95,201.2	105,167.7
Oilseeds				
Groundnut (nuts in shell)	6,877.3	7,510.2	3,923.8	6,180.5
Castorseed	403.2	453.3	136.3	154.0
Sesamum	2,231.7	2,391.5	355.4	449.5
Rapeseed & Mustard	3,390.1	3,613.9	1,853.2	1432.8
Linseed	1,740.3	2,064.4	439.3	529.5
Total five major oilseeds	14,642.6	16,033.3	6,708.0	8,746.3
Nigerseed	456.8	495.6	94.6	115.8
Saffiower	416.8	597.7	78.9	130.5
Cottonseed	—	—	1.980.4	2.363.4
Fibres				
Cotton (lint)	7,704.0**	7,799.7**	5,488.6†	6,564.0†
Cotton (kapas)	—	—	2,968.3	3,545.0
Jute	705.5	815.3	4,868.7†	5,684.3†
Mesta	288.1	295.7	1,162.0†	1,150.4†
Sannhemp (fibre)	137.8	141.2	49.9	54.8
Other Crops				
Sugarcane (gur)††	2,480.6	2,390.4	12,636.2	11,626.1
Ginger (dry)	22.9	24.6	32.9	34.7
Cardamom	76.5	76.8	3.1	3.6
Pepper (black)	118.8	118.6	26.1	26.2
Chillies (dry)	677.4	753.1	408.0	493.9
Tobacco	433.9	458.3	363.6	418.9
Potato	528.0	491.9	4,473.1	4,825.5
Guarseed@	1,162.0	1,538.6	398.7	516.9

†In thousand bales of 180 Kgs. each. ††Production in terms of cane was 123,667.9 and 113,569.5 thousand tonnes for 1972-73 and 1971-72, respectively.

**Area same as for cotton (lint). *Provisional and subject to revision. @Seed purposes only.

Source: Directorate of Economics and Statistics, Ministry of Agriculture, Government of India.

Index Numbers of Agricultural Production in India

(Triennium ending 1961-62=100)

Commodity/group	Weight	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-7
Foodgrains														
Rice	34·80	101·8	104·6	98·2	108·9	115·7	90·0	89·6	110·7	116·5	118.5	123·8	126·3	113·3
Jowar	5·87	112·3	90·3	110·6	104·4	109·9	86·0	104·6	114.0	111·2	110·3	92·0	87·6	73·1
Bajra	2·53	94·4	103·9	113·7	111·4	129·8	107·8	128·4	149·0	109·2	153·0	230·6	152·8	109·0
Maize	2·40	98·8	102·5	110·9	109·8	112·0	115·8	117·5	150·5	133·5	132·9	175·3	119·4	145·3
Ragi	1·34	94·6	100·7	103·5	102·4	101·9	66·9	82·2	95·0	83·1	106·8	108·7	111·1	96·3
Small millets	1·00	98·1	100·1	88·8	98·2	95·9	75·9	72·7	93·2	88·1	84·6	97·1	81·5	71·9
Wheat	8·36	98·8	108·4	96·8	88·5	110·1	93·4	102·4	148·7	157·1	180·6	214·2	237·3	223·9
Barley	1·59	96·9	109·6	84.2	70.9	86·9	82.1	80·9	120·7	83.3	93·5	95.8	88.7	80.1
Cereals	57·89	101·6	103·6	100·0	104·2	113·3	90·9	95·1	119·5	120·0	127·2	138·9	137·1	124·3
Gram	3·85	106·2	98·2	91·0	76·4	98·0	71·7	61·5	101·4	70·2	94·2	88·3	86·3	75·9
Tur.	1·25	121·0	79·8	91·4	91·4	79·7	100·0	65·2	100·5	101·3	106·3	108·7	97·1	100·8
Other pulses	2·87	97·8	101·4	102·6	93·8	106·0	89·0	80·3	98·0	95·8	96·0	105·6	96·6	73·0
Pulses	7·97	105·5	96·5	95·2	83·2	102·6	82·4	68·9	100·0	84·3	96·7	97·7	91·9	78·8
Foodgrains	65·86	102·1	102·7	99·4	101·7	112·0	89·9	91·9	117·1	115·7	123·5	133·9	131·6	118.8
Non-Foodgrains														
Groundnut	5·40	101·5	102·4	106·7	111·6	129·7	92·1	95.3	123·8	100·0	110·8	132·0	133·5	84·8
Sesamum	0·64	90·0	104·9	137·8	124·0	136·6	119·1	117·0	125·2	118·9	126·1	158·2	126·5	100·0
Rapeseed and Mustard	1·70	107·7	107·5	104·2	73·1	117·9	103·8	98·2	125·4	107·7	125·1	158·0	114·6	148·2
Linseed	0·51	91·2	106·6	99·1	87·4	114·0	76·5	60·0	101·1	76·0	108·2	109·3	122·2	101·4
Castorseed	0·12	96·9	98·2	90·2	92·8	93·8	70·9	73·7	81·4	77·7	82·6	91·4	103·4	91·5
Safflower	0·08	100·0	100·0	100·0	100·0	100·0	100·0	92·3	97·3	104·6	126·1	191·6	175·6	106·2
Nigersed	0·10	100·0	100·0	100·0	100·0	104·1	97·4	84·7	105·4	96·3	105·7	137·6	124·8	101·9
Coconut	1·81	100·4	97·1	107·6	102·7	107·3	107·1	110·4	113·1	117·9	124·5	129·1	129·4	129·4
Cottonseed	1·08	119·1	102·9	117·7	122·9	129·0	104·1	116·3	126·9	119·2	121·9	104·6	152·5	127·8
Oilseeds	11·44	102·7	102·6	108·7	104·6	123·2	98·0	99·4	121·0	105·7	117·1	133·4	130·8	107·3
Cotton	3·27	119·1	102·9	117·7	122·9	129·0	104·1	113·0	123·9	116·9	119·4	102·2	149·1	124·7
Jute	1·34	82·8	126·3	109·0	121·7	121·4	89·6	107·3	126·6	58·7	113·2	99·1	114·1	97·7
Mesta	0·31	81·5	134·1	127·5	138·8	117·0	95·3	89·4	93·2	66·3	82·7	91·8	84·2	85·1
Sannhemp	0·12	96·6	103·3	94·6	91·0	96·5	68·1	68·9	85·9	81·2	80·6	78·1	65·9	60·0
Fibres	5·04	106·6	111·1	115·4	122·8	125·5	98·8	109·0	121·8	97·5	114·6	100·2	133·8	113·5
Tea	2·88	96·2	106·2	103·8	103·7	111·5	109·7	112·6	115·2	120·5	117·9	125·4	129·8	124·7
Coffee	0·27	100·4	93·9	96·8	104·1	109·6	114·9	141·2	103·2	132·3	114·5	198·5	124·3	162·1
Rubber	0·11	99·3	107·0	124·5	142·1	170·0	188·3	204·3	240·3	264·9	305·5	343·6	377·3	418·9
Plantation Crops	3·26	96·7	105·2	103·9	105·0	113·3	112·8	118·1	118·4	126·3	123·9	138·8	137·7	146·6
Pepper (black)	0·13	102·2	102·1	93·7	86·2	86·9	82·9	82·5	78·9	76·7	76·1	78·2	78·2	77·9
Chillies (dry)	1·51	108·0	98·7	107·5	123·9	120·3	92·2	105·9	126·8	100·9	100·0	131·7	125·0	103·3
Ginger (dry)	0·04	100·2	107·7	111·2	120·3	119·2	125·4	120·3	110·7	103·3	118·1	168·1	197·1	186·9
Turmeric	0·18	102·7	95·0	115·8	127·1	160·4	140·4	122·2	119·5	114·2	147·7	165·6	158·1	158·1
Arecanuts	0·78	97·8	100·4	115·4	113·2	109·3	115·4	126·1	131·2	135·4	133·5	136·7	145·9	145·9
Condiments and Spices	2·64	104·2	99·3	109·8	119·0	118·1	102·4	112·0	125·0	110·8	112·2	133·4	132·2	119·6
Potatoes	1·22	102·5	92·5	120·2	92·6	128·7	145·5	125·7	151·1	168·7	139·7	171·6	172·3	159·7
Bananas	0·93	99·8	101·8	108·1	113·8	117·4	117·6	122·7	115·2	112·4	114·1	104·2	102·6	102·6
Cashewnuts	0·17	102·5	102·8	113·1	115·6	123·8	127·4	134·2	141·5	149·0	157·8	157·8*	157·8*	157·8
Fruits and Vegetables	2·32	101·4	97·0	114·8	102·8	123·8	133·0	125·1	136·0	144·7	130·8	143·6	143·3	136·7
Sugarcane (gur)	7·79	108·1	102·0	89·6	101·4	118·3	121·0	90·0	92·7	121·5	130·6	122·3	109·6	119·1
Tobacco	1·37	97·7	108·8	110·9	117·0	115·7	95·3	114·9	119·9	117·4	109·6	117·7	136·2	118·2
Guarseed	0·28	100·0	100·0	100·0	106·4	127·3	66·2	93·4	114·6	54·5	86·7	137·2	108·9	184·0
Miscellaneous Crops	9·44	106·4	102·9	93·0	103·8	118·2	115·6	93·7	97·3	118·9	126·3	122·1	113·4	117·9
Non-Foodgrains	34·14	103·8	103·5	105·4	108·2	120·9	107·1	103·7	115·6	113·2	120·5	126·6	128·0	117·8
All Crops	100·00	102·7	103·0	101·4	103·9	115·0	95·8	95·9	116·6	114·8	122·5	131·4	130·4	118·5

NOTE: Indices for the years 1966-67 to 1972-73 are subject to revision.

* Previous year's data repeated. **Provisional. **Source:** Directorate of Economics and Statistics, Ministry of Agriculture, Government of India.

Courtesy : Statistical Intelligence Division of the Department of Statistics, Reserve Bank of India.

Enough is enough

PERHAPS THE most significant part of the terms of reference of the Bhargava Commission on the sugar industry was the central government's request to it that should make suggestions for the rational and efficient organization of this industry. the political context in which this commission was appointed it was clear that what s intended was that it should give its opinion on the merits of the demand in cer- n quarters that the sugar industry should be nationalized. Although the govern- nt had asked for the commission's views on this controversial issue, it could hardly ve expected a unanimous recommendation or proposal. Given the composition of e commission, its collective mind just could not have collected itself sufficiently to oduce a consensus.

In the event, Mr Bhargava and his colleagues found themselves splitting equally on s question, with five of the ten members favouring nationalization. The chairman mself did not walk into the 'ayes' lobby, but this by itself need not be given any ecial weight. What matters is that he and four other members of the commission re firmly opposed to the drastic change in *status quo* which nationalization implied. is, some of us would certainly think, is sufficient reason for the government not en considering seriously the question of nationalization on the basis of this commis- n's report or indeed on any other basis.

This does not mean that we are suggesting that the sugar industry is altogether a healthy state. Indeed there are very few industries, especially among the older es, which are not deficient in one way or the other. What is peculiar to the sugar dustry is that for years now its performance has been fiercely criticized and frequen- blamed although not always with sufficient justification. Here a point which is often rgotten by the critics is that, even more than the cotton textile industry, the sugar dustry has been continuously controlled by the government and, if there are faults be found in its functioning, government policies, such as they have been for this in- stry, are *prima facie* at least partly responsible.

In any case, although the commission is equally divided on nationalization as a medy for such ills as this industry may be afflicted with, its members are agreed at government intervention is required to set matters right. The chairman and e four members who go along with him believe that the state taking over what they scribe as "sick mills" is definitely called for. They have defined their concept of ick mills" by mentioning what in their view are three causes of sickness: inadequate d unsatisfactory supply of cane coupled with deteriorating quality; financial mismana- ment or even malpractices; and poor condition of plant and machinery due to lack proper maintenance. Quoting the analogy of the cotton textile industry, where the ntral government has set up an autonomous corporation for taking over and run- ng units which are considered to have been unsatisfactorily managed, the commis- on is in favour of some such arrangement being also followed for the purpose of habilitating losing or otherwise mismanaged or inefficient concerns in the sugar dustry.

It is worth noting that the chairman and the four members associated with him ave emphasized the importance of a careful and highly selective approach being dopted in identifying sick mills and taking them over. This circumspection is cer- inly in their favour. Addressing itself to the question whether there could be justi- cation for the state taking over mismanaged or losing mills only, while permitting e good ones to continue under the existing ownership and management, these five embers state that taking over deficient mills is being suggested only in those cases here change of ownership or management is found to be essential, based on the cord of their past performance. Taking over of such factories, whose number is ound to be limited, will not in their opinion pose a difficult problem for the go-

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vernment and it may be possible for it to find the limited number of good administrators as well as funds to run these factories successfully in the public sector. Reasonable as this approach may seem on its own terms, it has not been demonstrated even in the case of the sick textile mills taken over and managed in the public sector that this arrangement necessarily ensures the rehabilitation of the concerns taken over or results in the best possible use of public funds or other resources.

Indeed the main argument against the "sick mills" concept, whether as practised in the case of the textile industry or as recommended by the chairman and four of the remaining nine members of the Bhargava Commission for adoption in the case of the sugar industry, must be that it is not abnormal in any industry for individual units to become economically and financially unviable, in which case public interest is probably best served by letting normal commercial considerations to become operative. If this were permitted, there is no reason why concerns, which could be rehabilitated or restored to profitable functioning, will not attract the attention or ministrations of private managements in the industry. It is possible that in such a situation some sick mills may not find a buyer, but this would most probably be a reliable indication that investment in rescue or relief operations in such cases would be wasteful. It may be conceded that there could be some dislocation in employment but it has never been very satisfactorily proved that this would be an extensive or enduring injury.

Nevertheless, given the political atmosphere in the country, a scheme of partial nationalization, confined extremely selectively to the 'sick mills' concept may be a practical compromise provided in every case an effort is first made to find out whether managements in the private sector are willing to acquire and operate the sick mill concerned. Also desirable is the further precaution that, where a careful study has shown that a sugar factory has become uneconomic because of its poverty in respect of its raw material, namely cane, no attempt should be made to keep it artificially alive unless there are reasonable prospects of cane cultivation being revived and promoted to a satisfactory level in its neighbourhood. Finally it seems to us that this issue of sick sugar mills is best dealt with by state governments with precise reference to local problems and needs. Already in the public sector state governments have assumed responsibility for running some sugar mills and there does not seem to be any reason why the central government should assume any direct responsibility by setting up a national agency for dealing with sick sugar mills. The analogy of the sick mills in the textile industry is not conclusive. As a matter of fact, bad precedents do not deserve to be flattered by imitation.

There was perhaps never any real danger that the sugar industry would be nationalized wholesale. All the same, a politically motivated and highly artificial agitation has been kept going especially in UP. Now that the equally divided Bhargava Commission has failed to provide any justification for the violent upsetting of the *status quo* but has on the other hand succeeded in exposing the doctrinaire nature of the demand for nationalization, the central governm should not lose time in categorically jecting nationalization as a general pol for the sugar industry. As for the sel tive taking over of 'sick' sugar factor the best approach would be for central government to make it cl that any state government interested the proposition is free to follow its co sel. This is the only way the politi heat can be taken out of this issue a it will not be too early for the minis for Food and Agriculture to go bef parliament in the opening week of next session and lay down the gove ment's policy on the ownership or ma gement of the sugar industry in th terms. It is now becoming increasin clear that production and productiv in the sugar industry must improve su stantially in the shortest possible ti if the country is to exploit fully the port potential in this commodity while the same time taking care of the reaso able consumption needs of it own peop Where sugar politics is concerned, t government must now at least be prepar to say that enough is enough.

Banking in reverse gear

No attempt has been made since the nationalisation of 14 major banks in 1969 to find out how concepts relating to development of banking have changed and it is taken for granted that the constituents of the lending institutions can be asked to bear additional burden for meeting the losses of new branches and an evergrowing salary bill. There has no doubt been a phenomenal growth in deposits of scheduled commercial banks and their ratio to notes in circulation has risen impressively to over 180 per cent from only about 60 per cent in the mid-fifties.

The monetisation of the economy has of course taken place at a faster rate after the mid-sixties and it is now possible to proceed on the assumption that the annual additions to deposits will be at the rate of 20 per cent and with proper management of available resources the needs of all customers can be equitably met. T stresses and strains created through t enunciation of new policies in respect the disposition of bank funds and t complications arising out of an asserti of inflationery pressures have plac bankers in an awkward situation and has been necessary at particular stages raise the credit deposit ratio unduly a even borrow heavily from the Reser Bank for meeting immediate comm ments.

It must be said however that t squeeze witnessed in the first year aft nationalisation was due to efforts expand credit faster than additions deposits with a grant of liberal loans borrowers in the priority sectors and t position got corrected with an exhaustio of the initial momentum and fast additions to deposits. There was in fa a sudden relieving of pressure on t banking system after 1971 and funds we going abegging with banks competing t secure available business and fi remunerative employment for their ow resources. The situation, however, vast

posit ratio could reap a rich harvest in 73 out of a scramble for available funds m all classes of borrowers. No isfactory explanation has been forthming so far about why there was a increase in advances between September 1972 and September 1973 even when flationary pressures were not so acutely t as now and whether peculiar forces re not in operation. There is reason to lieve that there were shifts in the licies of public sector undertakings in spect of the method of financing their rking capital requirements and that ey were responsible for a major one-me adjustment designed to reduce depenince on the government for funds.

As soon as this process was nearing mpletion the effects of imported inflaon and a sharp rise in internal prices ere keenly felt and up to June this year ember banks have been obliged to rrow heavily from the Reserve Bank gainst refinance facilities and under the ll market scheme in order to grant loans en on a restricted basis and observe also e statutory requirements relating to the aintenance of higher cash reserve and quidity ratios. There can be genuine fference of opinion about the manner which monetary and credit policies ave been administered since May last ear especially as the Reserve Bank has ot adopted a logical approach and the ttempt to accord preferential treatment o the requirements of small borrowers nd the issue of loans on behalf of the entral and state governments on an xtremely cheap basis in relation to the revailing structure of interest rates have esulted in an undue increase in lending ates on advances to industry and trade.

These developments explain why the ajor nationalised banks and other instiutions did not increase their net earnings 1973 in spite of a phenomenal growth advances and a big rise in gross ncomes. The central exchequer has in act received a smaller amount of Rs 3.53 rores as its share of profits of 14 ationalised banks against Rs 4.18 crores 1972 and Rs 4.43 crores in 1971. The ross income on the other hand spurted Rs 489 crores from Rs 388 crores and s 326 crores respectively. It has not been crores from Rs 197 crores and Rs 163 crores in the two previous years took place. There was of course a slight upward adjustment in interest rates on deposits along with an increase in the proportion of time liabilities to the total. But there should have been a significant increase in interest charges on account of borrowings from outside agencies to Rs 331 crores from Rs 101 crores. The salary bill also has jumped to Rs 158 crores from Rs 128 crores in 1972 and Rs 110 crores in 1971.

The net profit after taxation and before provision of bonus to employees was therefore not much higher at Rs 19.27 crores against Rs 17.63 crores. It must also be mentioned that the net earnings for the previous year were depressed because of excess liquidity of the banking system for most part of the year, the profits for 1971 being even marginally higher at Rs 17.63 crores. The provision for bonus however was much larger at Rs 11.78 crores against Rs 10.18 crores and Rs 9.69 crores. As there was also an increase in allocations to Reserve Funds to Rs 3.80 crores from Rs 3.21 crores, the centre's share of profits was lower than even in 1971, as stated above. Actually, the transfers to reserves in 1971 have reduced their contribution to the centre in 1973 and the marginal increases in the contributions of other five banks could not prevent a net decline in the total amount received as share of profits from these banks. It may not be surprising if there is a further decline in the profits received in this manner in 1974 as another complication has been introduced by the government with a levy of seven per cent on the gross income realised by banks on advances excluding inter-bank lending.

The further rise in deposit rates after the bank rate was increased in July, costlier refinance facilities and a higher liquidity ratio have compelled banks to raise again interest rates especially as the cash reserve ratio also is still being maintained at five per cent against the normal three per cent. It has to be examined at this stage how there can be a streamlining of costs of banking services and whether a different policy can be pursued in respect of the amortisation of the losses incurred on the running of new branches. The credit institutions of course are scared over the unsatisfied demand for funds even after a steep hike in lending rates. It is of course overlooked that the situation in

Eastern Economist 30 Years Ago

September 22, 1944

Finally, what is the objective of planning? What are or should be the methods of realising our ends? The objective of planning is not necessarily to bring about socialism. Socialism, capitalism, communism or any other ism is just a means to an end. The end is the welfare of the people. If capitalism is sought to be replaced it is because of its defects and shortcomings. But socialism by itself may or may not achieve the end. As realists we have to devise a machinery which will be free from the known evils of present day capitalism without bringing other evils in its train. The issue that is often presented to the country is capitalism VERSUS socialism. That is not the real issue at all. Indeed no one form of organization can ever fit all the facts all the time or be useful in all spheres of economic activity. Society consists of human individuals having free will, initiative and enterprise on the one hand and is also composed of masses of people having common feelings and emotions behaving as a crowd. There is and ought to be therefore place both for individual freedom and enterprise and collectivism. The seeming contradiction is based on ignorance of the very fundamentals of society. Even in the most individualistic economic order like that of USA a large element of collectivism is being introduced. But even Bolshevik Russia allowed a fragment of private economic activity. Modern economic conditions do require greater centralization and coordination; in other words central control and direction are indicated. Planning means precisely that; more of central direction and conscious purpose. This direction should be pointed towards the goal of welfare of the masses of the population; not of any particular class or section but of the entire community.

manner and there will be an easing of pressure on the banking system as happened in 1971.

Some critics may be quick to point out that there are no indications of an abatement of inflationary pressures and it will be wrong to expect that there will be a repetition of the happenings of 1971-72 at least on a lower key. Even granting that the pace of rise in internal prices will slow down only after some time there are definite indications to suggest that the inflation in the value of inventories due to costlier imports will not continue to be in evidence and by this time next year the situation will have been completely brought under control. It has therefore become necessary to find out how high interest rates on advances ing effect and added to inflationary pressures, and whether it will not be desirable to have physical controls over the grant of loans instead of trying to derive sadistic comfort through the charging of 18 per cent even on secured loans and the maintenance of inter-bank call rates of 12 to 15 per cent even during the height of the so-called slack season. The Reserve Bank may not of course be readily inclined to reverse its dearer money policy as the central government has yet to get a grip on the inflationary situation. This cannot however be an excuse for the Reserve Bank not administering more meaningfully its monetary and credit policies and for its failure to evolve a rationally integrated structure of interest rates.

Killing carpet backing?

THE INDIAN Jute Mills Association has expressed satisfaction with the statement made in the Lok Sabha on August 19 by Prof. Chattopadhyaya, the Commerce minister, in which he had clarified the government's policy on the export duty on jute goods. The association has observed that this statement marks "a refreshing departure in its clear recognition of the realities governing the industry's overseas sales of jute manufactures". Bnt, in fact, did the Commerce minister say anything new in regard to the government policy towards export duty? He only clarified that it was the government's policy to review the export duties constantly and to adjust them in response to the changing circumstances. But the government's revision of these levies has seldom been made at the right time and in the right manner. As a result, on many occasions in the past, export duty had acted as an incentive to our competitors. Even at present the export duty especially on carpet backing seems to be too heavy. Prof. Chattopadhyaya admitted in the Lok Sabha that "even with the higher prices of oil and oil products, synthetic substitutes will continue to be priced well below jute goods and will erode the hard-earned markets for jute goods". Nevertheless the government does not seem to see anything inconsistent in keeping the export duty at Rs 650 per tonne on primary backing and Rs 750 per tonne on secondary backing.

The price of carpet backing, which was kept at Rs 4550 per tonne during the whole of 1973, was raised to Rs 5000 per tonne in January this year in order to increase the export earnings. At present, the price is Rs 5200 per tonne. But the industry contends that this price is not at all remunerative and, in fact, a disincentive to production. The monthly average production of carpet backing in the last quarter of 1973 was 17,600 tonnes but it averaged only 12,500 tonnes between April and July 1974. The shipment of carpet backing was of the order of 21,000 tonnes per month during October-December 1973 but during the current year it amounted only to 14,400 tonnes in April, 10,800 tonnes in May and 11,100 tonnes in June.

It is feared that the fixation of the carpet backing price at the present level may result in the larger diversion of the industry's production to hessian in order to avoid loss. The government therefore should consider whether it is desirable in the country's interest to discou- backing which has been the biggest sing dollar earner, accounting for about 1 100 crores per year. It is also relevan to draw attention to the steadily declini trend in jute's share in backing tufte carpets from 81 per cent in primary an 76 per cent in secondary in 1968-69 t 28.7 per cent and 61.4 per cent in th first quarter of 1974 and to 30.7 per cen and 64.1 per cent in the fourth quarter o 1973, respectively, The IJMA has sai that faulty pricing and fiscal policy i "killing" carpet backing. This expres sion perhaps may seem to exaggerat the situation but surely New Delhi canno afford to remain complacent in the face of the downward trend in the production and export of carpet backing.

Prof. Chattopadhyaya referred to the "disproportionate profits" earned by the jute industry. This may give the impression that the financial position of the jute mills has been quite comfortable. On the other hand, mills have been facing serious difficulties due to various reasons. The acute power crisis had severely strained the jute industry's finances. Lately, however, the power situation has improved and the government has also permitted the jute mills to install captive power plants. The decision, though belated, should enable the industry to increase its production substantially. The power rationing scheme has reduced the industry's production by about 12 per cent to about 95,000 tonnes a month by forcing it to work five days a week. But it remains to be seen how soon the mills will be able to secure their own generators and the power supply will improve to such an extent as to facilitate their working for seven days in the week.

Meanwhile, the sharp decline in the output of raw jute has been causing concern to the industry. The jute crop during this year is estimated at only 4.5 to five million bales against nearly eight million bales in the last year. The decline is attributed to the floods and the diversion of acreage to paddy because of its more attractive price. The mills require about 7.2 million bales of raw jute to ensure full production. It seems doubtful if this quantity will be readily available especially in the context of the

overnment's anxiety to step up the xport of raw jute. In 1973-74 our export f raw jute reached a record level of 14,000 bales but the Indian Jute Mills ssociation has urged that "all Indian xport of raw jute must be stopped forth-ith and all export contracts already ntered into but against which shipments re outstanding must be countermanded n the present emergency".

It has also suggested that as much ute as possible from Bangladesh against ontracts concluded under the Limited Trade and Payments Agreement should e imported. It seems strange that at a ime when the jute industry and the overnment should work in complete nderstanding with a view to maximising he earnings of foreign exchange, diffe-ences should arise between them even in he matter of ensuring the adequate vailability of raw jute. If, as claimed y the industry, there is going to be a erious shortage of raw jute in the cur-ent year not only in India but also in Bangladesh and Thailand, New Delhi hould certainly exercise caution in per-nitting the export of fibre and should lso build up an adequate buffer stock o that the mills can plan their program-mes of production and export with confidence.

While the industry is facing the pros-pect of raw jute prices going up on account of the shortfall in production, it s also confronted with financial difficul-ties. The industry's credit requirements have been estimated at Rs 189 crores but it is stated that the Reserve Bank's squeeze has been making it increasingly difficult to secure its requirements of finance. The IJMA has suggested im-mediate reduction of all margins on bank advances from 35 per cent to 10 per cent in respect of raw jute, finished goods, and goods-in-process and the defreezing of cash credit accounts; and has also urged that banks should continue to allow credit to the jute mills according to their needs of the fibre and provide additional funds for working capital.

The Reserve Bank's anxiety to res-train credit to fight inflation is under-standable but in view of the jute indus-try's crucial role in the country's foreign trade, its credit needs should be given special consideration so that its compe-titive strength is not weakened due to the paucity of timely and adequate finance. It is also necessary to offer realistic prices to the industry for its supplies of B-Twill and DW flour bags to the Directorate-General of Supplies. It is estimated that the difference between the government's price and the market quotations went up to Rs 1450 per tonne in April 1974 from only Rs 110 a year earlier, and the mills are said to have lost about Rs 5½ crores since April 1973 on these transactions.

The jute industry is being mulcted not only by the centre but also by the government of West Bengal. Under the West Bengal Taxation Laws (Second Amendment) Act, 1974, the rate of the entry tax on raw jute has been raised with effect from August 1, from one rupee to six rupees per bale or nearly 500 per cent. It is calculated that this tax will raise the industry's jute cost to Rs 60.30 per tonne in West Bengal. The fact that nearly 90 per cent of the country's jute industry is located in West Bengal, that it contri-butes substantially to the state's employ-ment and that it is therefore essential not to cripple its capacity in any manner does not appear to have been apprecia-ted by the state government. Prof. Chattopadhyaya said in his statement in the Lok Sabha on August 19 that "in the long run, it is obviously in our interest that the competitiveness of jute goods in international markets is main-tained". But is this not in the country's interest in the short-run as well?

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FROM THE CAPITAL'S CORRIDORS

V. Balasubramanian

Where Is He? • More Mysteries • Chattopadhyaya on Tight Rope • Dikshit's Difficulty with CBI • Mrs Gandhi Does a Crossword Puzzle • Mishra and His Paper Boat

WHO OR what is he? What he is the CBI inquiry is hopefully expected to discover. About who he is there seem to be at least two views. The telephone directory gives his name as 'Tulmohan Ram' but Mr Atal Behari Vajpai, speaking in the Lok Sabha, made it sound like 'Tul Mohan Ram'. The way he split the first name right through its phonetic middle somehow made it all sound much more impressive. A mere 'Tulmohan Ram' can hardly be conceived of as the central figure of a major political scandal, but 'Tul Mohan Ram', as emphatically named by Mr Vajpai, easily becomes a much more credible figure of mystery if not mayhem.

annoying affair

Mysteries, of course, there are in plenty in the import licence affair which may be causing some annoyance to the prime minister and perhaps somewhat more serious discomfort to other assorted ministers, politicians and parliamentarians including, presumably, Mr L.N. Mishra. Mystery number one, as everyone would readily see, is, apart from the who or what Mr Tul Mohan Ram may be,—which was the question I raised at the beginning—where indeed is Mr Tul Mohan Ram? Going by what is on record, the last person or persons who has admitted having seen and spoken to Mr Tul Mohan Ram is or are some unnamed official or officials of the Central Bureau of Investigation. Everybody else is professing the most complete ignorance of the whereabouts of Mr Tul Mohan Ram and so far as these people are concerned, the earth might have swallowed this particular member of the Lok Sabha without leaving any trace at all of his earlier earthly existence.

'curiouser and curiouser'

The prime minister, who is the leader of the Congress party in parliament, of which Mr Tul Mohan Ram is a member, esteemed or otherwise, the Home minister, Mr Uma Shankar Dikshit, who has assumed vicarious responsibility for the CBI inquiry, the Commerce minister, Professor D.P. Chattopadhyaya, who has been put on the mat over the import licence in which Mr Tul Mohan Ram has been prominently featured, and Mr L.N. Mishra who has been put in the dock during the debates in the two houses of parliament for his alleged association with Mr Tul Mohan Ram, have all shown individually and collectively a total reluctance to concede that they have ever breathed the air which Mr Tul Mohan Ram has also breathed. At this point, Alice would certainly have said that it is all getting "curiouser and curiouser."

For instance, seeing that Mr Tul Mohan Ram's name led all the rest in the memorandum submitted to the ministry of Foreign Trade—as it then was—over the names (for obvious reasons I do not say 'signatures') of certain members of the Lok Sabha, Prof. D.P. Chattopadhyaya who, as Commerce minister, had to bestow his official attention on this memorandum at one stage or another, should normally have contacted Mr Tul Mohan Ram first when he went about verifying the authenticity of the memorandum. It is not at all clear why Prof. Chattopadhyaya should have found it impossible to locate Mr Tul Mohan Ram or contact him considering that Mr Tul Mohan Ram is a member of the same party. Again, how could it be that Mr L.N. Mishra, even after a spate of allegations had been made about what was described as a special relationship between him and Mr Tul Mohan Ram, did not think it necessary or desirable to find him and have it out with him so that both he and Mr Tul Mohan Ram could have gone before the Lok Sabha and given their version or versions of the relations between them?

highly suspicious

Again, how was it that the Home minister, neck-deep in the politics of his party, fought shy of getting hold of Mr Tul Mohan Ram and producing him in the Lok Sabha so that he could clear, if he could, the name of his party and perhaps his own name too? Strangest of all, why should the leader of the party, Mrs Indira Gandhi, have been so reluctant to summon Mr Tul Mohan Ram and confront him with the things that were being said about him and also about others alleged to be associated with him in ways which might not bear scrutiny? It seems to me that the failure of all these esteemable people to meet Mr Tul Mohan Ram face to face and persuade him to go to the Lok Sabha and say what he knows or what he wishes to say, is highly suspicious and must cast doubt on the *bona fides* of the ruling party and the central govern-

ent in this matter. After all, it is a very rdinary and regular practice for an MP, n whose character or conduct aspersions ave been cast in parliament, to take the arliest opportunity of making a statement f personal explanation to his peers. It s also normal for the leadership of the arty, to which the MP may belong, to ecure his attendance in the house and nsure that he makes this statement, so iat nothing which tends to besmirch the onour or integrity not only of the indi- idual member but also the party to which e belongs, goes without being challenged r rebutted.

Now we come to the next mystery hich has not attracted due attention ither in the course of the parliamentary ebates or in the press. In the course of is reply to the debate in the Rajya Sahba n the import licences issue, Mr Uma hankar Dikshit said very casually that ne Commerce ministry had difficulties in nking the *Blitz* story, which started it ll, with this particular import licences ase because some of the details given in he *Blitz* report seemed to apply also to nother case of issue of import licences here again a representation had been ceived from MPs. I for one would ertainly like to know about that other pplication as well. It is obviously mportant for parliament and the people o learn whether all or some or any of ne MPs, whose names figure in the Tul Mohan Ram memorandum, have their ames also in the other memorandum. In articular, does Mr Tul Mohan Ram's ignature also appear in that representa- on?

nissed opportunity

It should be useful again for the ublic to know what this representation as and how it was disposed of by the inistry of Commerce. I do not know hether Mr Dikshit was aware of the ignificance of what he was saying about wo applications sharing some of the echanical details given in the *Blitz* eport. In any case, the members of the ajya Sabha, especially those on the reasury benches certainly seem to have nissed the opportunity of probing into et another possible mystery of more than 0 members of parliament getting toge- ther to see that justice is done to certain applicants for import licences.

The next mystery relates to the intriguing procedure adopted for establishing or at least stating that, except Mr Tul Mohan Ram's, the other signatures had been forged. For one thing, since Prof D. P. Chattopadhyaya was aware of the fact that a CBI inquiry was in progress, why did he take it upon himself at all to accept the suggestion that he should verify from the MPs named whether they had really signed the memorandum? It would not only have been in order for him to say that he should not be expected to undertake this responsibility at that stage, but propriety demanded that he should have said so.

personal explanation

Again, the MPs concerned were certainly entitled to go before the Lok Sabha of which they were members and, offering personal explanations, state whatever they wanted to—which, indeed, they did. But, then, neither these MPs nor any other member or members, nor the leadership of the ruling party to which these members belonged, thought it desirable to join issue with such of the opposition members as were insisting that certain signatures, in addition to Mr Tul Mohan Ram's, were also genuine. One would have expected that those who made these allegations would have been challenged by the treasury benches to name those MPs who were being accused of disowning their signatures and yet, at no stage, was this necessary demand made at all.

The debates in the two houses revolved round the question whether a parliamentary committee should be asked to probe the matter in spite of the fact that a criminal case had been registered and the CBI was already carrying out the investigation. Normally, where it is claimed that there is *prima facie* evidence of criminal offences having been committed, the procedure adopted by the government should be acceptable to all concerned. On this occasion, however, there are certain complications which could create a genuine misgiving whether the needs of justice would be served by a CBI inquiry. For one thing, the name of a cabinet minister—Mr L. N. Mishra—has been dragged into the affair in the course of the debates in the Lok Sabha and the Rajya Sabha.

This apart, for some time now, various allegations and charges are being continuously levelled against Mr Mishra not only by opposition spokesmen but also by some members of the ruling party. The prime minister has publicly stated that she regards this as a politically motivated campaign of vilification and has even gone so far as to suggest that the ultimate or ulterior aim of this campaign is to 'get' her and not merely Mr Mishra. In the circumstances, although the Home minister has been repeatedly declaring that the CBI has full freedom to pursue the investigation wherever it may lead it, not only opposition politicians but also a much wider public may continue to doubt that the CBI may not actually be able to function in this case as a wholly free agency. This is a question which cannot be answered one way or the other with any finality; and given tbe widespread conviction in the country that there is corruption in government and in high places, an investigative agency functioning in a department directly under the charge of the prime minister is bound to continue to have a credibility problem where ministers or other prominent politicians of the ruling party are alleged to be involved.

central weakness

This does not mean, however, that a parliamentary probe is practicable or will necessarily serve the ends of justice and the public interest. The central weakness of the opposition demand for such a probe was that its spokesmen made it clear through their speeches in the two houses that their real target was Mr L.N. Mishra and that they were almost wholly interested in a fishing expedition which could possibly be of help to them in discovering evidence of wrong doing on his part, which would make it impossible for him to remain in office. Although quite a few opposition speeches sounded properly virtuous about the need for justice being done to the members of parliament who had said that their signatures had been

forged and were profuse with high-minded eloquence about the fair name of parliament being rehabilitated and public confidence in the integrity of its members being restored, it was quite clear that, just as the treasury benches were being prompted by considerations of self-preservation in resisting a probe by a parliamentary committee, the opposition groups were being tempted by the political dividends which such a probe could yield to them.

In these circumstances it was not surprising that the debates in the two houses had an air of unreality about them. This was accentuated by the fact that, although the ruling party had quite obviously dragooned such of its members as were unwilling in varying degrees to toe the party-line. the party fielded in the debates only those who would justify the government's rejection of a parliamentary probe. Nevertheless, some reasonably solid and interesting, and many forceful, speeches were heard from both sides of the house both in the Lok Sabha and the Rajya Sabha.

eloquence galore

In the Lok Sabha, Mr Atal Bihari Vajpai was, if not at his eloquent best, very nearly so. Two other opposition leaders, Mr S.N. Mishra and Mr Era Sezhiyan, made characteristically solid contributions. From the ruling party Mr Chandrajit Yadav emerged as a fairly persuasive pleader of the government's line. He put his case as well as anybody could have done. Mr B.R. Bhagat's was another extremely useful contribution from the point of view of the treasury benches.

In the Rajya Sabha Mr Bhupesh Gupta, who had moved the motion for inquiry by a joint committee of parliament, reserved his fire for his reply to the debate. When he did get on to the job, he let off several broadsides with his usual elan and also with his equally characteristic indifference to marksmanship. It must be said to his credit, however, that he was not unduly vituperative; Mr Bhupesh Gupta had chosen this occasion to speak more in sorrow than in anger. It was left to Mr Prakash Vir Shastri to make a positive contribution from the opposition benches. He suggested that even if a parliamentary probe was to be ruled out, at least a commission of inquiry by a judge of the Supreme Court was indicated if justice were to be seen to be done.

The Commerce minister, Prof. Chattopadhyaya, obviously having learnt from recent experience, spoke with great circumspection while intervening in the debates in the two houses. He however succeeded in creating an impression that, so far as he was concerned, he had no objection to place all the cards on the table. It was clear. however, that it was Mr Dikshit whom the government had chosen for laying down the law on its behalf. The Home minister performed better in the Rajya Sabha than in the Lok Sabha. In the latter body he had to speak late in the night, well after 11 p.m., after listening to hours of haranguing. This would have been hard even on a much younger or more alert person. At one point the Home minister had difficulty in identifying the CBI by its proper initials or name. His fumbling for words here reminded me of the difficulty Mr Nixon was reported to have had in mentioning or recalling the name of the Watergate special prosecutor, Mr Leon Jaworski, during a telephone talk the ex-president was having with a Congressman. Could there have been a mental block in the case of Mr Dikshit as well. Nevertheless, as I had indicated, Mr Dikshit seemed to be more at case in the Rajya Sabha and, within limits, he made an attempt to be more or less reasonable.

The Home minister said that the CBI would be asked to complete its investigations as quickly as possible and he hoped that the government would be able to place the CBI findings before parliament in the next session provided the report disclosed that any impropriety had been committed by any MP. Mr Dikshit tried heroically to convince the house that the CBI would be completely free to pursue its inquiry but he gave the game away when he said that the CBI would not carry out verification of the signatures on the memorandum where the 20 members who had denied that they had signed it were concerned. It is worth noting here that, two days earlier, at the conclusion of the Lok Sabha debate, the Speaker had said that he had no objection to the CBI verifying these alleged signatures.

Mrs Gandhi who had gone to Madras on the day of the Lok Sabha debate, was present in the Rajya Sabha during the latter part of the discussion. She was busy looking through official papers most of the time, but a colleague claimed that he could spot her doing a *Times of India* crossword puzzle for a while. Mr Lalit Narayan Mishra was present more or less throughout the debates in the two houses, but he did not intervene. If he was undergoing any particular mental or emotional stress, he did not show much outward sign of it. As a matter of fact, in the Rajya Sabha I could see him fabricating a child's paper boat with meticulous care. However, this could be an indication that his sub-conscious was perhaps thinking of 'deep waters.'

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Farm capital investment in Purnea district

M.L. Singh and M.M. Mishra

PURNEA, A constituent district of Bihar, falls in the Kosi canal area. With the availability of assured irrigation from the canal system, the area has attained a high degree of agricultural prosperity. The new farm technology has been adopted particularly since 1969-70. The Small Farmers' Development Agency, first of its kind in the country, also started functioning in the district since 1970. With the creation of this agency, the banks have been very active and liberal in advancing loans to the farmers. These factors have influenced the extent and nature of farm capital formation in the district.

The major objectives of this article are: (i) to study the magnitude and pattern of capital formation on the various sizes of holdings, (ii) to study the changes in the magnitude and pattern of capital formation, and (iii) to identify the factors responsible for these changes.

random enquiry

The data for this study were collected from a cross-section enquiry of 376 farmers taken at random (according to the size proportional to the universe) from eight villages in two blocks of the district. The selection of the blocks was purposive, but four villages from each block were selected randomly. The villages were Ranipatra, Barsouni, Harda and Dagarua in Purnea East block and Dogachchi, Sarra, Banaili and Durgapur in Kasba block.

The sample farmers were stratified into small, 0.4-5.0 acres; medium, 5-20 acres; big, 20-50 acres and large farms, 50 acres and above. The total number of households under these sizes of holdings were 227, 103, 32 and 14 respectively.

The data were collected from October to December, 1973, restrospectively for the agricultural years (July to June), 1970-71, 1971-72 and 1972-73 on the basis of the memory of the farmers. A period of three years was taken because the farmers could give reliable information only for a short period.

The capital formation in this study means the addition to the stock of following capital goods, (1) farm implements, (2) farm irrigation sources (3) farm livestock, (4) farm buildings, (5) farm land improvements and (6) farm land purchases. The values of the addition to the capital goods were estimated at 1972-73 prices and costs.

degrees of capital formation

Table I gives the average annual capital formation per household and per acre for different items on the various sizes of holdings. It is evident that capital formation varied from Rs 324 to Rs 9461 per farm. On an average, the capital formation per farm was Rs 1208. Capital formation per farm showed an increasing trend with the increase in the size of holdings. Capital formation per acre, however, decreased as the size of the farm increased, with a few exceptions. On large farms, per acre capital formation was higher than that on the previous two groups of farms.

This was because of the high amount of capital formation of improved implements on the large farms. If the expenditure on improved implements is excluded, one could find an inverse relation between the size of farms and capital formation per acre. The per acre capital formation of traditional implements was negatively correlated (—.79), but per acre expenditure on improved implements was positively correlated (+.93) with the size of farms. The latter factor overcompensated the decrease in the capital formation of the traditional implements per acre, so that the capital formation per acre of implements increased with the increase in the size of the farms. It may be noted that no farm of the size below five acres undertook any investment in improved implements.

The inverse relation between per acre capital formation on irrigation and size of farms held true in all cases except one, i. e., on big farms the per acre capital formation on this item was higher than that on the previous two groups of farms. That was because electric and diesel pumpsets involving an expenditure of Rs 4000-5000 per unit as against the only other item of investment on irrigation in the area, i.e, bomboo or iron boring wells each involving an expenditure of Rs 250-400, were installed generally by big and large farms, as these alone could afford to make economic use of their large productive capacities. On the small and medium farms capital formation on this item was very low because of uneconomic size of their holdings.

The investment per acre on farm buildings decreased with increase in the size of farms. The per acre capital formation on land improvements was the highest on large farms. The reason for this was that a considerable portion of land on such farms had been previously barren and uncultivated but the same was made cultivable due to the availability of tractors.

importance of livestock

As regards the pattern of capital formation, livestock was the main item of investment (28.2%) followed by irrigation (22.8%), implements (15.1%), farm buildings (14.0%), land improvements (10.4%) and land purchases (9.5%). Although livestock constituted the main item of capital formation, next to it the farmers allocated the largest percentage of their resources on items like medern irrigation and implemets. That indicates a healthy trend of capital formation in this area.

On the small farms, livestock was the single largest constituent of capital formation (51.0%) followed by irrigation, land purchase, land improvement, buildings and implements. The importance of livestock as the main item of capital formation continued up to the medium farms but its proportion to the total capital formation declined sharply to 30.2 per cent. The other items of capital formation maintained the same order of importance as on the small farms except that

farm building was next only to irrigation in importance. On the big farms, irrigation was the main item of investment followed by livestock, farm building, land improvement and land purchases. On this category of farms, implements were the item of least importance. On large farms, implements constituted the single largest proportion of total capital formation (43.3%) followed by irrigation (16.3%) and livestock (15.7%). The other items of capital formation in order of their importance were land improvement, farm building and land purchase.

Generally, as the size of the farms increased, the proportion of capital formation on livestock decreased and that on improved implements and irrigation increased. On large farms, the proportion of capital formation for irrigation was, however, lower because there was a very high proportion of capital investment on improved implements. The bigger sized farms by making a high proportion of capital formation on modern capital goods were more modernised and/or mechanised than the smaller sized farms.

investment on small farms

Small farms made a very high proportion of capital investment on livestock and a very low proportion on irrigation and implements. That was quite natural. Their farms being uneconomic, small farmers had to invest more on livestock (and more so on milch cattle) to suppplement their small incomes. They made a very low proportion of capital investment on irrigation and implements as they could not make an economic use of the large productive capacities of pumpsets and such improved implements as threshers and tractors because of the uneconomic size and fragmentation of their holdings. The incentive for investment on these items was low also because a large portion of their land was under tenancy.

It was only the bigger sized farms which could afford to make a more economic use of productive capacities of pumpsets and improved implements, so there was a high proportion of capital investment on these items on the bigger farms. Large farmers showed the greatest tendency to invest on tractors and threshers. These farmers previously either leased out or left barren a considerable portion of their land simply because they could not complete the farm operations in time. But now they managed the much bigger size of farms with the use of t ractors.

Table II gives the variations in capital formation for three years on various sizes of holdings. Capital formation increased by 25.0 per cent in 1971-72 and 34.2 per cent in 1972-73 over 1970-71. The cor-

TABLE I
Average Annual Capital Formation for Various Items by Farm Size

(in Rs)

Items of capital formation	Size of farms (in acres) 0.4—5.0	5—20	20—50	50 and above	Per household
Implements					
(a) Traditional	8	16	21	27	12
	(2.5)	(1.1)	(0.7)	(0.3)	(1.0)
	3.4	1.3	0.6	0.4	1.2
(b) Improved	—	8	104	4254	170
	(—)	(0.6)	(3.3)	(45.0)	(14.1)
	—	0.7	3.1	57.3	16.4
Total	8	24	125	4281	182
	(2.5)	(1.7)	(3.9)	(45.3)	(15.1)
	3.4	2.0	3.7	57.7	17.6
Irrigation					
(a) Wells	13	29	59	84	24
	(4.0)	(2.1)	(1.9)	(0.9)	(2.0)
	5.5	2.4	1.7	1.1	2.4
(b) Pumpsets	48	272	1104	1433	251
	(14.8)	(19.2)	(34.7)	(15.1)	(20.8)
	20.3	22.6	32.7	19.3	24.2
Total	61	301	1163	1517	275
	(18.8)	(21.3)	(36.4)	(16.3)	(22.8)
	25.8	25.0	34.4	20.4	26.6
Livestock					
(a) Draught	61	245	382	828	167
	(18.8)	(17.3)	(12.0)	(8.8)	(14.6)
	25.8	20.3	11.3	11.1	16.1
(b) Milch	79	169	405	634	153
	(24.5)	(11.9)	(12.7)	(6.7)	(11.9)
	33.5	14.0	12.2	8.5	14.8
(c) Others	25	14	15	23	21
	(7.7)	(1.0)	(0.5)	(0.2)	(1.7)
	10.6	1.2	0.4	0.3	2.2
Total	165	428	802	1485	341
	(51.0)	(30.2)	(25.1)	(15.7)	(28.2)
	69.9	35.5	23.7	20.0	32,9
Farm buildings	21	286	537	889	169
	(6.5)	(20.2)	(16.8)	(9.4)	(14.0)
	9.0	23.7	15.9	11.9	16.3
Land improvements	28	154	294	1121	126
	(8.6)	(10.9)	(9.2)	(11.8)	(10.4)
	11.9	12.7	8.7	15.8	12.2
Land purchases	41	223	274	168	115
	(12.6)	(15.8)	(8.6)	(1.8)	(9.5)
	17.4	18.5	8.1	2.2	11.2
Grand total	324	1416	3195	9461	1208
	(100)	(100)	(100)	(100)	(100)
	137.4	117.4	94.5	127.3	116.8

1. Figures in brackets indicate percentage share of different components of capital formation.
2. Figures at the bottom of each item indicate capital formation per acre.

esponding increases were 24.2 per cent nd 59.5 per cent for irrigation and 60.0 per cent and 67.2 per cent for implements n the two years, respectively. The expenditure on land purchases registered n increase of 38.1 per cent and 17.5 per ent. The greatest increase in capital ormation was recorded for land improvements, 90.0 per cent and 124.3 per cent n two years, respectively. The least annual variations were observed in the cases of livestock and farm buildings. Capital ormation on livestock increased on all he farms except on large farms. On the atter, capital investment on this item declined showing a tendency of substitution of tractors for bullocks. Capital ormation on implements recorded the greatest increase on large farms. Irrigation too showed highest increase on large arms. Increase in investment on land mprovements was, however, greater on mall farms than on large farm. That was because a relatively greater amount of subsidy was given to the small farmers or this item by the institutional agencies. Land purchases and farm buildings did not show a definite trend with respect to he size of holdings. On the whole, large arms showed the largest increase in capital formation, 46.0 per cent, in 1972-73 over 1970-71. The corresponding increases were 23.1 per cent on big farms, 32.6 per cent on medium farm and 36.2 per cent on small farms.

role of borrowing

A large part of capital formation of he farmers was financed by borrowings. Borrowing constituted 68.5 per cent of he total capital formation. Small farmers' borrowings constituted 117.0 per ent of their total capital formation. As the size of farms increased, the borrowings as percentage of capital formation decreased. The proportions of borrowings to total capital formation were 76.3 per ent, 52.2 per cent and 46.8 per cent on medium, big and large farms, respectively.

A considerable part of borrowing of the sample farmers (40.5%) was from non-institutional sources, e.g., moneylenders, friends and relatives. On the small farms, a high proportion (56.7%) of total loans was from non-institutional sources. The corresponding proportions were 46.1 per cent, 32.2 per cent and 14.3 per cent on the medum, big and large farms. The loans from non-institutional sources were taken at a high rate of interest mostly for unproductive purposes .e., farm consumption, expenditures on

TABLE II

Capital Formation on Various Items by Farm Size for 1970-71, 1971-72 and 1972-73

(in Rs)

Items	Year	Size of arms (in acres) 0.4—5.0	5—20	20—50	50 and above	Per household
Implements	1970-71	7	19	93	2951	128
	1971-72	9	28	144	4787	204
	1972-73	8	25	138	5105	214
Irrigation	1970-71	47	241	958	1049	215
	1971-72	56	294	1123	1525	267
	1972-73	81	367	1407	1977	343
Livestock	1970-71	154	396	798	1783	337
	1971-72	159	463	736	1523	343
	1972-73	183	425	871	1148	344
Farm buildings	1970-71	20	248	645	715	161
	1971-72	24	331	428	1025	179
	1972-73	19	277	539	927	167
Land improvements	1970-71	10	83	151	786	71
	1971-72	33	162	337	1119	135
	1972-73	41	217	394	1458	172
Land purchases	1970-71	33	169	315	113	97
	1971-72	52	281	213	202	134
	1972-73	37	221	294	189	114
Total	1970-71	271	1156	2960	7397	1009
	1971-72	333	1559	2981	10181	1262
	1972-73	369	1532	3643	10804	1354

TABLE III

Average Annual Amounts of Loans from Various Credit Agencies by Farm Sizes

(in Rs)

Credit agencies	Farm size (in acres) 0.4—5.0	5—20	20—50	50 and above	Per household
Money lenders, relatives and friends	215 (56.7)	498 (46.1)	537 (32.2)	621 (14.3)	335 (40.5)
Co-operatives	29 (7.6)	128 (11.9)	210 (12.6)	748 (17.3)	98 (11.8)
Land mortgage banks	46 (12.2)	164 (15.1)	431 (25.8)	1493 (34.5)	165 (19.9)
Commercial banks	74 (19.5)	192 (17.7)	327 (19.6)	967 (22.4)	161 (19.4)
Government	15 (3.9)	99 (9.2)	163 (9.8)	498 (11.5)	69 (8.3)
Total	379 (100)	1081 (100)	1668 (100)	4327 (100)	828 (100)
Borrowing as % of capital formation	117.0	76.3	52.2	46.8	68.5

Figures in brackets indicate percentages of total.

social ceremonies etc. These loans were not financed by the institutional sources. Small farms depended more on the non-institutional sources because they were required for family consumption.

Among all the institutional credit agencies, land mortgage banks and commercial banks played a dominant role. The other institutional agencies in order of their importance were co-operatives and government.

Purpose-wise loans from institutional sources are given in Table IV. The largest amount of loan (41.2%) was taken for bamboo and iron boring wells and pumpsets. Livestock commanded the second most important item of finance followed by implements and land improvement. As the size of farms increased, the proportion of loan for irrigation increased with the exception of large farms. The latter took the largest amount of loans (63.7%) for implements only. The small farms took the largest amount of loan (50.0%) for livestock alone. As the size of farms increased, the proportion of loan for livestock decreased and that for implements increased. The bigger sized farms took less proportion of loans for land improvement than the smaller sized farms.

A high proportion of capital investment on irrigation (73.8%) was financed by institutional agencies. The credit institutions financed to the extent of 53.8 per cent, 49.2 per cent and 38.2 per cent of the total capital formation on implements, land improvement and livestock, respectively.

The capital formation of Purnea farm economy thus indicates a bright picture. Although the proportion of investment was highest on livestock, the farmers allocated a high percentage of investment on irrigation and implements. The small farms made large investments on livestock and low investments on irrigation and implements, showing that they were less modernised than the bigger sized farms who made a large proportion of investment on irrigation and improved implements. The institutional credit agencies contributed significantly to the capital formation of the farmers. The investment pattern of the farmers was influenced by the pattern of financing by the institutional credit agencies.

TABLE IV

Purpose-wise Financing of Capital Formation by Institutional Agencies

(in Rs)

Items	Farm Size (in acres) 0.4—5.0	5—20	20—50	50 and above	Per household
Wells and pumpsets	57 (34.8)	294 (50.5)	719 (63.8)	804 (21.7)	203 (41.2)
Implements	— (—)	10 (1.8)	75 (6.6)	2361 (63.7)	98 (19.9)
Livestock	82 (50.0)	186 (31.7)	216 (19.1)	266 (7.2)	130 (26.4)
Land improvements	25 (15.2)	93 (16.0)	121 (10.5)	275 (7.4)	62 (12.5)
Total	164 (100)	583 (100)	1131 (100)	3706 (100)	493 (100)

Figures in brackets indicate percentages of total.

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I

World Economic Outlook

ECONOMIC PROSPECTS throughout the internationally trading world and in the UK have worsened in the past three months, according to the National Institute of Economic and Social Research, Britain's leading non-official economic research centre, directed by the influential Oxford economist G. D. N. Worswick.

The report in the latest issue (no 69) of the National Institutes quarterly *Review* was the leading item of economic news on the date of its publication in all the British national dailies.

Background developments in the world economy have not been encouraging as governments attempt to deal with both inflation and balance of payments problems by increasingly restrictive monetary and fiscal policies.

The substantially increased aid necessary to maintain the development plans of some non-oil-producing developing countries, in the face of oil and other price rises, looks increasingly unlikely over the next twelve months. One of the outstanding examples, Bangladesh, is in addition having to cope with natural disasters.

In the UK inflation now seems likely to be an even more serious problem than it did three months ago, both in its own rights and in its effect on the UK's competitive position.

Although unemployment is already high, the authorities in many countries have tended to reinforce the contractional effects of higher oil prices by tightening demand management policies. This tendency is apparent, so far, even in countries such as the USA and West Germany, which have little or no balance of payments problems and whose inflation rates are well below those of Japan and some other industrial states. As a result, the NIESR puts the rise in OECD real output at little more than one per cent this year, picking up only moderately next year to an increase of around 3½ per cent.

Some slowing down of the rate of inflation in the OECD area as a whole is expected, partly because the NIESR thinks the recent falls on commodity markets are likely to be carried further by the end of 1974.

The average cost of oil has continued to rise somewhat, but the Institute expects it to be roughly unchanged from now until the end of 1975.

The ability of the non-oil developing countries to maintain their desired volume of imports in 1975 will depend on export earnings and aid. Earnings will be depressed by the commodity price falls, while aid from the OECD countries is more likely to be below than above the levels planned before the rise in oil bills.

Although no serious financing problems appear to have arisen as yet, there does not seem to have been much growth in the volume of world trade so far this year. The Institute now puts the increase at only three per cent in 1974 and five per cent in 1975.

Although the disruption of output during the emergency of the three day working week in the first quarter of this year seems to have been relatively slight, the UK economy has not yet regained a level of activity as high as that of last year. GDP probably fell by two per cent in the first half of the year, while unemployment has, since May, been on a clear upward trend.

increase in unemployment

A combination of the strongly contradictory effect of the increased price of oil, the December cuts in public expenditure and, now, the expectation of some loss of UK internal competitiveness leads the NIESR to forecast—on the assumption that policies remain unchanged—little further growth from now on despite the mild reflation of the July budget. Between the second half of this year and the second half of 1975 GDP is forecast to rise by less than one per cent; *unemployment* may rise to around 675,000 by the New Year and to over 900,000 by the end of 1975 (seasonally adjusted)

After rising 20 per cent through this year, *average earnings* are forecast to rise by 18 per cent through next and *consumer prices* by 16¾ and 17½ per cent respectively.

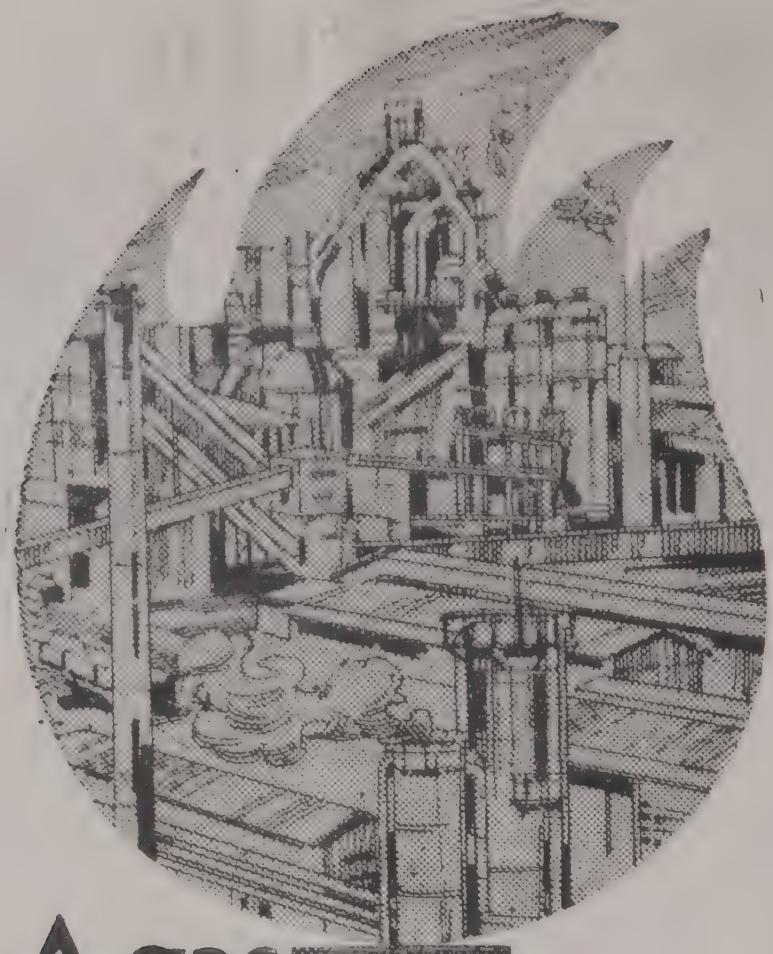
Real personal disposable income is likely to continue to be depressed by the effects of the massive rise in import prices (40 per cent through 1973 and a further 33 per cent through this year) and by fiscal drag. After falling 2½ per cent this year there may be another drop of around 1¾ per cent in 1973. *Consumers' expenditure* is therefore also likely to remain depressed: a fall of 1½ per cent this year may be followed by a further fall in 1975.

Exports of *goods and services* have been buoyant recently, but the NIESR expects growth to slow down sharply from now on. Over the twelve months from the second half of this year growth is forecast at less than four per cent.

The outlook for private investment is poor: after a large rise this year of 13½ per cent, *manufacturing investment* is expected to fall through next year. Private *housing investment* too, is forecast to fall sharply this year though more slowly in 1975.

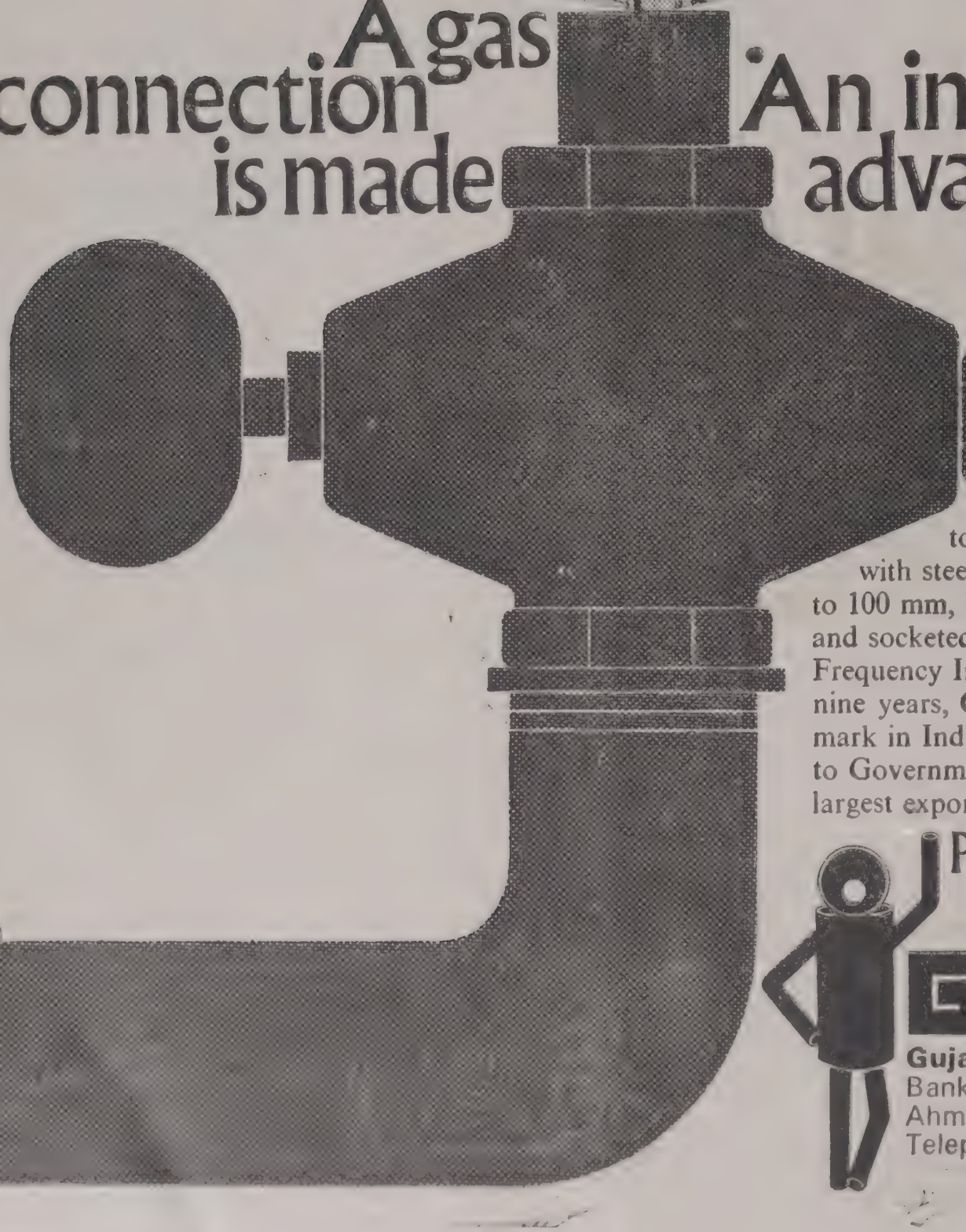
Public authorities' current spending is forecast to rise by less than one per cent

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ough this year, but by three per cent ough 1975. *Public investment* may fall about half a per cent in 1974, but pick somewhat next year as the December s work themselves out; the NIESR ts the rise in 1975 at five per cent.

Imports of goods and services in volume e forecast to rise by 1½ per cent this ar and by 3½ per cent next—the accele- tion being partly accounted for by the pected loss of UK price competitive- ss.

The British *balance of payments* out- oks has thus worsened: on current ac- unt the Institute expects the deficit to nearly £4,000 million this year and 2,750 million in 1975. Of these deficits l accounts for £2,400 million and 2,000 million respectively.

II

Clouds Over the World

The outlook throughout the interna- onally trading world, as in the UK, emains clouded. The Institute's earlier opes that the rest of the advanced world ight be persuaded to adopt modera- ely expansionary policies to coun- er the contractional effects of higher oil rices have so far come to nothing—in act the reverse. The inhibition which nis places on the use of UK domestic emand management to prevent a rise in nemployment is now the NIESR thinks, ompounded by the worsened outlook or UK domestically generated inflation, nd indeed emphasises this as the single ost important problem. The Institute onfesses that it knows of no economic anacea which would transform the out- ook, but offers a brief review of the main roblems.

On present policies, the NIESR anti- ipates stagnant output, rising unemploy- ment and somewhat greater inflation than t foresaw last May, with a slower im- provement in the balance of payments.

Export-led expansion is the most desi- able way to increase *employment*, and he conventional way to secure it would e a further fall i n the exchange rate. The xperience of recent years, however, sug- gests that any competitive advantage so gained will now be quickly eroded by an acceleration of the rises in domestic costs nd prices. On the other hand, if by any means the present rise in domestic costs nd prices could be slowed down, this could lead to lasting gains in price com- petitiveness both in export markets and against imports in the home market. To offset rising unemployment by increasing domestic demand reduces such improve- ment in the balance of payments as is written into the forecasts. This effect can be minimised to the extent that do- mestic demand can be steered in directions where the import content is low—for example some forms of public expendi- ture.

The forecast for *the UK balance of payments* on current account shows that the nation is living beyond its means this year to the extent of about six per cent of GDP. There is no justification for this in the long term, but the same problem is shared by a number of countries and its solution should not be sought in measures which would further harm others. Any measures which improved the current UK balance must reduce UK imports, increase UK exports or both, but some would be internationally more acceptable than others. Direct measures to restrict im- ports would invite retaliation, which would not occur if there were an improve- ment in the general competitiveness of UK manufactures. The objection to devaluation has already been mentioned. Once again the alternative is some means of slowing down the rise in UK costs and prices.

This aside, the best single measure to aid the balance of payments would be to reduce the demand for oil. Some oil producers have already intimated that they do not wish to use up their oil reserves too quickly, so that they should not object and the reduction would have no serious effects on any one else.

III

Inflation

The third question is inflation. There are two broad classes of measures which can, in principle, alter the rate of increase of incomes and prices. The first is "de- mand management" and includes both "monetarist" and "Keynesian" measures. A reduction in the quantity of money (or a deceleration in its rate of increase) and an increase in taxation (or a failure to correct fully for fiscal drag) would ulti- mately influence the generel level of prices.

Such differences as exist between monetarists and Keynesians concern the speed with which aggregate monetary de- mand responds to the change in monetary or fiscal policy and the way in which (the relative) reduction in monetary de- mand is divided between prices and out- put. All monetarists and some Keynesians think that a relative contraction in ag- gregate demand will produce some fall in the rate of increase of money incomes and prices, but Keynesians believe that a contraction in monetary demand will fall mainly on output and employment.

Another view, put forward by profes- sor Lord Kahn and Mr M. V. Posner of Cambridge in their evidence to the Ex- penditure Committee, is that higher un- employment will cause trade unions to press for even higher increases in money wages in an attempt to counter rising unemployment.

anticipated rise

The Institute's own view is that if UK fiscal and monetary policy in the coming twelve months were changed so as to reduce the anticipated rise in unemploy- ment and fall in investment this would not significantly influence the forecast rate of wage and price increases. in any case, however great or small is the influence of demand management on the price level, if it is earmarked for this purpose it is not freely available to regulate output and employment at the same time. (The re- action of the House of Commons Ex- penditure Committee to this logical point is interesting. They recognise that the use of monetary policy to control prices could lead to bankruptcies and unemploy- ment, which they reject. At the same time they tell economists to stop talking about incomes policy, which, comments the NIESR, is as though the economists explained to the Committee that coins have two sides and—the Committee re- plied by telling them not to say such horrid things but to go away and design coins with one side only).

"Incomes policy" is a term of art to cover all policies other than demand management "whose main objective is to slow down the rise in prices which im- pinge directly on wages or prices or both". It is not part of the definition that in- comes policies should be statutory, al- though many instances include some sta- tutory component. The policy of the late Heath government included statutory control in some detail over all forms of money incomes and prices. The present Labour government's policy retains statu- tory regulation of *prices*, but since the ending of stage 3 it relies upon the "so- cial compact" to bring about moderation of *wage* claims and presumably of wage settlements.

The general intent of the "social com- pact" is that money wage increases should do no more than compensate for the rise in prices, but this is a condition which is compatible with widely varying rates of inflation. One fairly strict interpretation of this, whereby wage increases were for the time being confined to the application of a simple indexing formula, would slow down inflation at a time when import prices are no longer rising dramatically. The NIESR's present forecast shows some deceleration of inflation towards the end of 1975 but the rate will still be in double figures

Almost all the time in the past fifteen

years governments have been trying various forms of "incomes policy" to reduce inflation and in particular the pendulum has swung regularly between statutory controls and voluntary agreement. If we bear in mind the swings both in policy and in public opinion it seems almost inevitable that the "social compact" must be given an opportunity of at least a full year's wage round to demonstrate its potentialities or lack of them. The Institute itself doubts that it will be sufficiently effective to prevent a deterioration in price competitiveness; thought should in any case to be given now as to how the "social compact" can be buttressed or replaced should the need arise. In the past, periods of voluntary incomes policy have more than once been abruptly ended by a freeze, but without sufficient preparation for the immediate anomalies that it generates. This time it is desirable that preparations should be made well in advance, so that future action will be both fairer and more effective than on previous occasions.

IV

A Possible Way Out

On these gloomy forecasts, *The Economist* offers some pungent comments. It agrees that on present policies there will be a long slump, with unemployment reaching towards the inter-war depression figures of 2,000,000 plus. This, says *The Economist*, is the result of the 1974 general election, when Mr Heath asked the voters to declare in support of the rational control of the trades unions' monopoly bargaining power. They voted instead to appease the unions. Referring to the NIESR's forecasts of virtual stagnation in output, *The Economist* says that the UK is losing this production and men and women are going to lose their jobs, because appeasement has failed. The unions have not responded to the "social compact" by moderating their demands or keeping industrial peace. Instead the par for wage settlements has risen to 25 per cent. *The Economist* argues that the UK's deficit on current account of £2,750 million (NIESR's forecast for 1975) could be reduced to manageable proportions if a freeze on *real* wages were imposed till the end of 1975 (repeat 1975!), i.e. if all wages and salaries were allowed to rise in line with the cost of living. This curb on inflation would make UK exports very competitive probably allowing the UK to maintain nearly full employment, The alternative is to reduce the balance of payments deficit by slashing imports by the lower consumption of millions of unemployed.

Some economists hold that incomes policy has either failed or is politically

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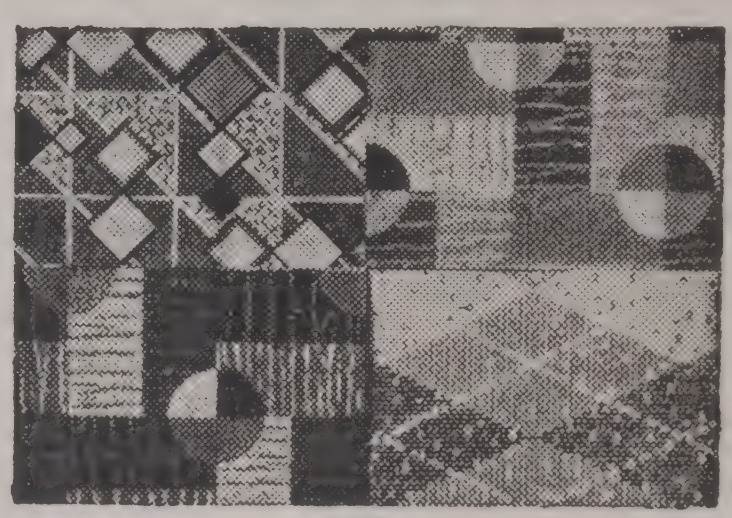
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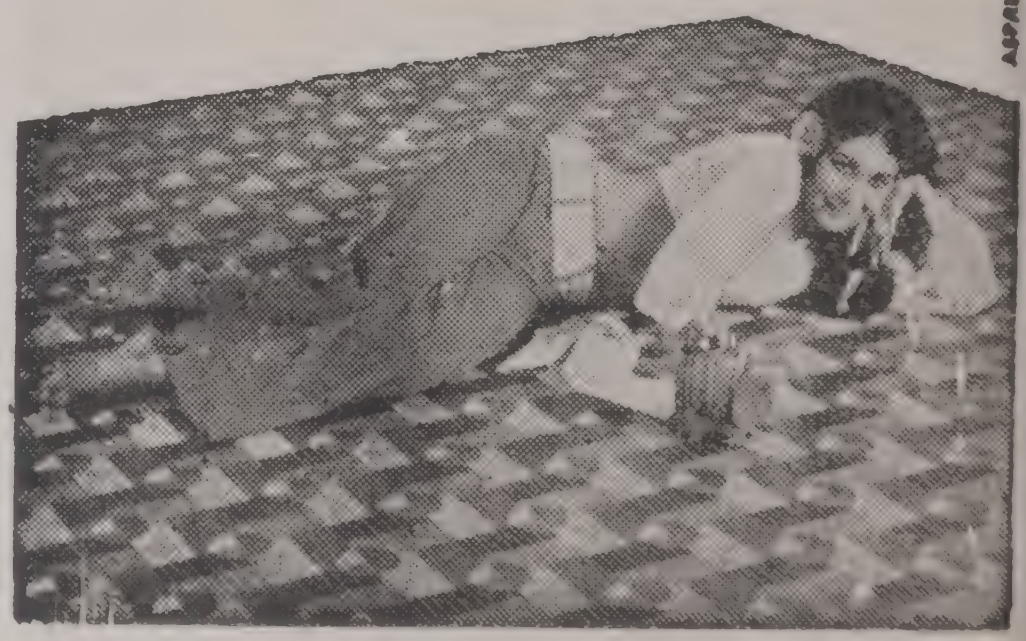
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impossible and they therefor anticipate cure by a slump of inter-war magnitude. *The Economist*, on the other hand, argues that a slump would cure nothing because redundant workers would not accept lower wages; they would have recourse to to sit ins and to violence.

By contrast an incomes policy did not fail until the voters abandoned it. Stages I and II of Mr Heath's pay controls were successfull. The economy enjoyed growth and full employment. The policy broke down when, undermined by imported inflation via higher commodity and oil prices, the voters refused to support Mr Heath's stand against the miners.

The Economist concludes that an incomes policy is the only alternative to a slump. This would produce a trial of of strength with the unions. Overwhelmining support by the voters could enable the government to win.

The alternatives are either mass unemployment or an incomes policy. Within a very few weeks, the voters will decide which. Needless to say, a slump in the UK would add appreciably to the world forces of deflation and stagnation, so that in whatever country we iive we all have an interest in the coming UK election. Let us pray.

Trade expands hand in hand with inflation

I
Development in 1973

AN EXCEPTIONALLY strong investment and production boom of unusually brief duration, record trade expansion, record inflation, the demise of the fixed exchange rate system and a gradual adoption of managed floating—these were the main developments in the world economy in 1973. The surprisingly fast correction of two major trade imbalances—that of the United States whose trade deficit was reduced from $9.1 billion in 1972 to $1.9 billion (c.i.f.—f.o.b.), and of Japan whose trade surplus was reduced from $5.1 to $1.4 billion—proceeded simultaneously with the worsening of others—the trade deficit of the United Kingdom increased from $3.5 to $8.3 billion, that of Italy from $0.7 to $5.6 billion, while the trade surplus of (West) Germany increased from $6.4 to $13.0 billion. Whether the sum of these changes represented a movement toward or away from a global trade equilibrium became an academic question when, at the end of the year, the rise in crude oil prices created trade and payments situation that would engage the attention of national and international economic policy makers in 1974 and possibly for several years to come.

unprecedented rise

World output (excluding services) rose by an unprecedented 8 per cent in 1973, compared with 5 per cent in the preceding year and an annual average of 5.5 per cent in 1961-71. The strength of the boom in the industrial areas can be judged even better from the following figures: the combined real GNP of the major industrial countries increased, despite a general slackening of growth in the second half of the year, by 6.5 per cent—again a record rate—as against 5.8 per cent in 1972 and an annual average of 4.9 per cent in 1961-71.[1] The comparison of these two sets of figures suggests that production increased even more rapidly in developing than in industrial areas.

> This is the text of the first chapter of the GATT report "International Trade 1973-74". The full report will be released by the GATT secretariat next month.

Following a decline of about one per cent in 1972, world agricultural output rose by 4-5 per cent. The growth of world mining output accelerated sharply from 4.0 per cent in 1972 to 7 per cent Similarly, world manufacturing expanded by 10 per cent, as against 8 per cent in the previous year. In all three sectors, the 1973 increases were considerably above the long-term average.

The dollar value of world exports increased by 37 per cent, following an increase of just under 20 per cent in 1972; the average for 1961-71 had been 10 per cent per annum.[2] Change in the dollar's exchange rate and price increases accounted for the major part of the value increases: nonetheless, there was also a pronounced acceleration in the growth of world export *volume*, from 9 per cent in 1972 to about 13 per cent, a rate equal to 1968's record expansion.

Trade in agricultural products was up by nearly one-half in value terms but virtually unchanged in volume from 1972. Mining exports increased 46 per cent in value and 11.0 per cent in volume; for manufactured products, the corresponding increases were 32 and 14 per cent respectively. In both mining and manufacturing, it may be noted, the growth of exports considerably exceeded that of production, indeed, the discrepancy has widened since the beginning of the 1970's.

The volume growth of industrial countries' exports, at 14½ per cent, exceeded that of imports by two percentage points. Favourable terms of trade enabled developing countries to expand the volume of their imports despite a decline in (real) economic assistance. Imports from industrial countries into the Eastern trading area increased even more rapidly, mainly due to a further expansion of commercial credit.

slight shifts

There were only slight shifts in the three areas' shares in world exports, at current dollar values. By virtue of their strong terms of trade, the developing area maintained, for the third consecutive year their market share of 18 per cent. The share of the Eastern trading area declined slightly, reflecting the fact that prices in intra-area trade, which absorbs 56 per cent of the area's total exports, were raised only marginally in 1973. There was a correspondingly small increase in the share of the industrial areas.

Three particular developments in 1973 have been singled out for a more detailed review.[3]

The boom itself was unusually brief. Starting in the second half of 1972, it was over by mid—1973. It was so strong, however, that despite the steep deceleration in the industrial countries in the second half of the year, it brought the annual global growth rate to a record level. To explain it we must go back to 1970 and 1971. In these two years world material production increased by less than 4 per cent per annum, as compared with the long term average of 5.5 per cent, while the combined GNP of the OECD countries increased by a little over 3 per

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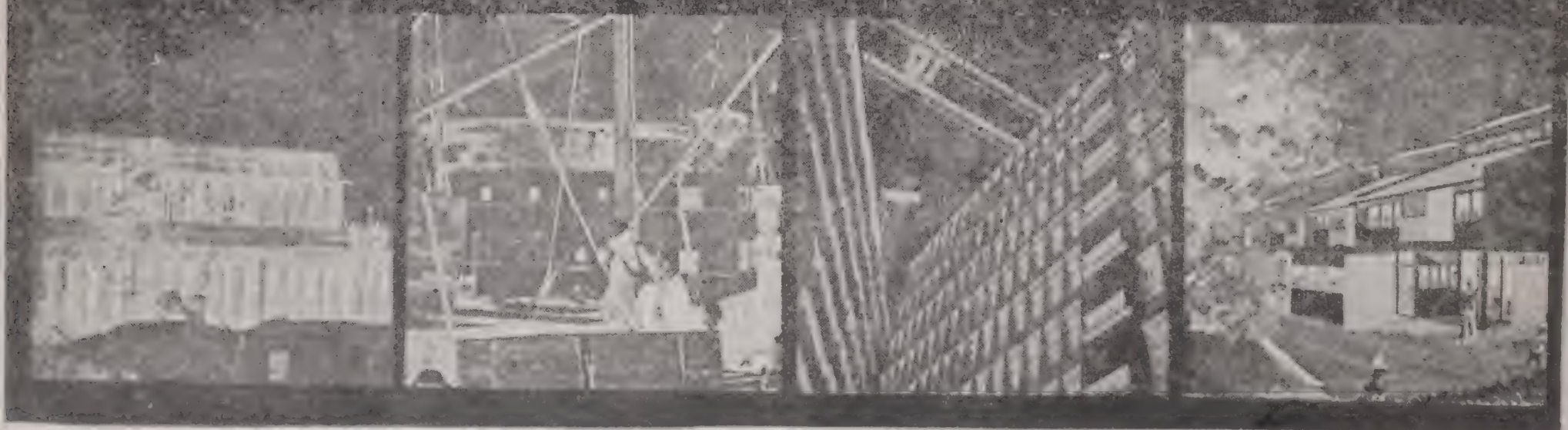
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average of 4.8 per cent. In particular, these two years mark an almost simultaneous cyclical low of business investment in the main industrial countries; in the United States, this was accentuated by stagnation in consumption expenditure, producing an actual decline in real GNP in 1970. No significant additions to productive capacity were made in these countries during that period, and from the much rougher global figure it may be surmised that mining and manufacturing investment in the developing areas was adversely affected as well. It appears, in particular, that the relatively more capital-intensive industries at the first stage of raw material processing were starved of investment.

The cyclical upswing in investment expanditure in the second half of 1972 was simulated, inter alia, by very low real rates of interest (i.e. nominal interest rates diminished by the rate of inflation), brought about by a super-abundance of international and national liquidity. It led a remarkably rapid growth in aggregate demand—from mid-1972 to mid-1973 the real GNP of the main OECD countries was growing at a rate of 7.5 per cent—which, however, was soon to be arrested by multiplying physical shortages of certain items as capacity limits were reached, the investments undertaken during the recovery and boom having supply.

During the boom, and especially in ebb, exports in many countries were the most dynamic category of demand. For example, the volume of net merchandise exports in 1973 corresponded to about one-fifth of the 7.5 per cent increase in the volume of the (combined) industrial and agricultural production in the United States; and in the fourth quarter of the year, net exports contributed nearly one-half of the total increase. In (West) Germany, the increase in net exports (including services) represented nearly 40 ner cent of the increase in real GNP for 1973 as a whole; in the second half of the year, external demand was the only expansive element, net exports expanding by DM4 billion (at 1962 prices) while GNP rose by less than DM400 million.[4]

main problem

As foreseen in *Intevnational Trade 1972* inflation continued to be the main international economic problem. The rate of increase in consumer prices accelerated in every OECD country during the year, with the annual average for the aggregate increasing to 7.7 per cent, up from the previous year's 4.6 per cent, and more than double the 3.7 per cent annual average for the period 1961-71.[5] Evidance for the developing countries, in many of a similar increase in the rate of inflation. There has been, in addition, a significant change in the pattern of recent price increases as compared with the experience of the preceding two decades. Whereas up to 1971 the annual increase in consumer prices and in the GNP price deflator generally exceeded that of wholesale prices and of export unit values, in 1972 and especially in 1973 and 1974 the opposite was the case. Because economic activity was expanding simultaneously in most major countries, there was little or no slack available to absorb inflationary pressures spilling out through the trade sector, and the resulting pressure on prices of tradeable goods was quickly transmitted to substitutes in domestic consumption and production. The continuing upward pressure on consumer prices during 1974 is thus in part a result of these earlier rapid increases in wholesale prices.

The question of the source or sources of the mounting world-wide infiationary pressure has attracted a great deal of attention. Recent analyses, in particular tend to cast the boom in prices of certain foodstuffs and raw materials in a central role. Export prices of primary products, which had started to move upward in the second half of 1972, rose at an accelerated pace in 1973, eventually exceeding their level of previous year by 43 per cent;

TABLE I

Development of World Exports and Production Between 1970 and 1973

	1960	1965	1966	1967	1968	1969	1970	1971	1972	1973
World Exports										
Value (billion dollars f.o.b.)										
Total	128.3	186.5	204.0	214.5	239.5	273.5	312.0	349.4	414.7	566.7
Agricultural products	40.0	49.6	52.3	52.2	53.8	57.9	64 3	68.8	(82.7)	—
Minerals (a)	21.4	31.0	33.7	35.9	40.6	44.6	51.2	56.0	(64.5)	—
Manufactures	64.4	102.8	114.2	122.9	140.4	164.5	189.6	215.7	(257.2)	—
Unit value (1960=100)										
Total	100	103	105	105	104	108	114	121	132	160
Agricultural products	100	101	101	100	99	104	107	111	125	185
Minerals (a)	100	109	113	109	110	115	123	131	142	187
Manufactures	100	103	104	106	106	108	114	123	134	154
Volume (1960=100)										
Total	100	141	151	159	180	197	213	224	244	276
Agricultural products	100	123	130	130	136	139	150	155	(166)	—
Minerals (a)	100	133	140	153	172	181	194	200	(212)	—
Manufactures	100	155	171	181	207	238	260	274	(300)	—
World Commodity Output										
Volume (1960=100)										
All commodities	100	130	139	145	155	164	170	177	186	202
Agriculture	100	113	118	121	125	126	129	134	133	139
Mining	100	127	133	139	147	154	167	172	180	192
Manufacturing	100	138	150	157	169	182	188	196	211	232

(a) Including fuels and non-ferrous metals.

an increase which was more than 2½ times higher than that of manufacturing prices.[6]

There are two important qualifications to the view that rising commodity prices "cause" inflation. First, the fact that shortages of metals and minerals developed despite a record increase in world mining production indicates that demand was growing even more repidly, and that in this sector at least (excluding fuels), the higher commodity prices were a result of inflationary pressure, not its cause. In those instances in which there was an actual shortfall in the supply of a commodity, the higher price does not represent an independent source of upward pressure on the price index: this was the case, in particular, for a number of agricultural commodities whose production was severally affected by unfavourable weather conditions in the major producing countries in the agricultural year 1972-73. However, these supply related price increases affected only a sub-set of commodities—essentially agricultural products, and now petroleum. They contributed to the increase in the *average* level of prices but by themselves cannot explain the simultaneous upward movement in all prices which is characteristic of a continuing inflation.

If, as is generally accepted, many prices are not very flexible downwards, a supply-induced price increase for an important product,or a group of products, would, *ceteriparibus*, tend to cause an increase in unemployment. In such a situation, the central bank may increase the money supply so as to permit the

TABLE II

Network of Total Exports by Major Areas, 1960, 1965-1973

(Billion dollars f.o.b. and percentages of world exports)

Destination/ origin	Year	Industrial areas		Developing areas		Eastern trading area		Total world*	
		Value	%	Value	%	Value	%	Value	%
Industrial areas	1960	54.43	42.5	23.93	16.3	2.89	2.3	81.80	63.8
	1965	87.61	46.9	25 53	13.7	4.70	2.5	123.09	65·9
	1966	97.42	47.8	28.01	13.8	5.61	2.8	135.95	66.8
	1967	103.57	48.3	28.33	13.2	6.02	2.8	143.31	66.9
	1968	117.90	49.3	31.71	13.3	6.34	2.7	161.51	67.5
	1969	138.42	50.7	35.01	12.8	6.95	2.5	186.43	68.3
	1970	160.59	51.5	39.93	12.8	8.16	2.6	215.84	69.2
	1971	180.63	51.7	44.76	12.8	8.88	2.5	241.98	69.3
	1972	217.87	52.5	50.13	12.1	11.74	2.8	286.95	69.2
	1973	293.00	51.7	69.70	12.3	17.80	3.2	391.10	69.0
Developing areas	1960	19.21	15.0	6.26	4.9	1.23	1.0	27.45	21.4
	1965	25.41	13.6	7.73	4.1	2.41	1.3	36.43	19.5
	1966	27.38	13.4	8.04	3.9	2.36	1.2	38.63	19.0
	1967	28.66	13.4	8.21	3.8	2.17	1.0	39.98	18.7
	1968	31.95	13.4	9.13	3.8	2.27	0.9	44.35	18.5
	1969	35.45	13.0	10.32	3.8	2.64	1.0	49.52	18.1
	1970	39.97	12.8	11.09	3.6	3.15	1.0	55.45	17.8
	1971	46.16	13.2	12.51	3.6	3.23	0.9	63.01	18.0
	1972	55.43	13.4	14.54	3.5	3.46	0.8	74.65	18.0
	1973	75.40	13.3	19.90	3.5	5.40	1.0	102.50	18.1
Eastern trading area	1960	2.79	2.2	1.34	1.0	10.85	8.5	15.02	11.7
	1965	4.65	2.5	3.21	1.7	13.82	7.4	21.73	11.6
	1966	5.58	2.7	3.62	1.8	13.96	6.9	23.20	11.4
	1967	5.90	2.8	3.80	1.8	15.14	7.1	24.89	11.6
	1968	6.18	2.6	4.05	1.7	16.69	7.0	26.98	11.3
	1969	6.96	2.5	4.58	1.7	18.14	6.6	29.74	10.9
	1970	7.74	2.5	5.14	1.6	19.95-	6.4	32.89	10.5
	1971	8.72	2.5	5.25	1.5	21.88	6.3	35.92	10.3
	1972	10.28	2.5	5.96	1.4	26.24	6.3	42.57	10.3
	1973	15.70	2.8	8.70	1.5	32.90	5.8	57.40	10.1
Total world*	1960	79.32	61.9	29.18	22.8	15.15	11.8	128.20	100.0
	1965	121.63	65.2	37.30	20.0	21.26	11.4	186.70	100.0
	1966	134.75	66.2	40.68	20.0	22.08	10.8	203.60	100.0
	1967	142.53	66.5	41.56	19.4	23.59	11.0	214.40	100.0
	1968	160.78	67.2	46.03	19.2	25.53	10.7	239.30	100.0
	1969	186.25	68.2	51.16	18.7	27.97	10.2	272.90	100.0
	1970	213.87	68.5	57.63	18.5	31.60	10.1	312.00	100.0
	1971	241.31	69.1	64.37	18.4	34.31	9.8	349.40	100.0
	1972	291.07	70.1	72.70	17.5	41.77	10.1	414.70	100.0
	1973	395.20	69.7	101.30	17.9	56.70	10.0	566.70	100.0

*Including Australia, New Zealand and South Africa.

ecting employment. Such a policy will ult in an increase in the average level prices, but this increase is a finite one d, once the original impulse has worked way through the price system, it does t continue to exert the kind of inflaonary pressure currently plaguing the rld economy. Finally, a recovery of rmal output will result in lower prices the products in question which—in the sence of other inflationary pressures—uld allow the price index to decline ith no accompanying employment prons.

It appears, therfore, that developments riginating in commodity markets have t made as important a contribution to e continuing world inflation as is sometmes claimed. The level of aggregate emand, on the other hand, has been a uch more important source of generazed inflationary pressure. This is seen ost clearly in the impact of the 1972-73 oom, when rapidly expanding world deand produced upward pressure on virtally all prices.

ehaviour of reserves

An insight into the nature of the stimulus to aggregate demand can be gained y examining the behaviour of world reserves and domestic money supplies in the major industrial countries. Betwen 1961 nd 1969 annual increases in the dollar alue of world reserves ranged from 0.5 to .5 per cent, with an average for the period of 2.8 per cent a year. During the next our years, the annual rates of increase were, respectively, 18.5, 40.8, 21.5, andl 5.7 per cent; a substantial part of the increase during those four years was accounted for by increased holdings of foreign exchange. As for domestic money. annual increases in the aggregate money supply of eleven arge industrial countries during 1961-1969 ranged from 5.0 (1966) to 9.1 (1968) per cent with an average rate of 6.8 per cent a year for the period as a whole; for the ensuing four years the figures are 10.6, 17·6, 15.5, and 14.0 per cent respectively.[7] In contrast, during the period 1961-1969 the output of goods and services in the eleven countries as a whole grew at an average annual rate of about 5.4 per cent; the corresponding fiigure for 1970-1973 is 5.2 per cent a year. Comparing these figures it is clear that in recent years monetary expansion has been well in excess of the rate necessary for reasonably stable price levels. The main part of the explanation of this excessive monetary growth lies in the fact that these massive increases in reserves reduced the ability of central banks to resist pressures for "easier" monetary policies.[8]

Whether "easier" monetary policies were intended to reduce unemployment, or to prevent it by accommodating wage settlements in excess of productivity, sectoral price increases due to supply shortfalls, and similar *ad hoc* disturbances, they were an expression of a brief firmly held by most governments in the post-war period that (i) inflation and unemployment can be traded-off against one another, and (ii) the public has a greater aversion to unemployment than to inflation.

Recent events indicate that there may be problems with each of these assumptions. In the case of the inflation/unemployment trade-off, it appears that the relationship is stable only in the short run and that the terms at which the two can be traded-off worsen over time as progressively higher rates of inflation are needed to maintain a given rate of unemployment. The preference in most industrial countries for inflation over unemployment is confirmed by a considerable body of evidence which, however, only indicates the order of preference in situations in which the "price" of reducing the rate of unemployment by one or two percentage points is in the 2-5 per cent annual inflation range customary in the 1950s and 1960s. With the "price" now in the range of 10-20 per cent, and with good reasons for believing that the terms of the trade-off will continue to worsen, the industrial societies may choose a notion of "full employment" that seems more easily compatible with relative price-level stability.

demise of fixed rates

The sequence of events culminating in the demise of fixed exchange rates is well known and does not require a detailed review. At the beginning of 1973 sterling had been floating for half a year. In late January the financial lira was allowed to float, and a day later the Swiss franc was set free. Following a temporary closing of exchange markets in mid-February, the dollar was devalued by 10 per cent, and the yen and commercial lira set free. Exchange markets closed for a second time early in March. When they reopened later that month the dollar was floating against all other major currencies, including those of the eight European countries which had decided to maintain fixed rates between their currencies. The resulting arrangement remained largely intact until January of this year when France withdrew from the joint float and set the franc free. It is important to keep in mind, however, that the current system is one of managed rather than free floating. The central banks have retained the right to enter exchange markets "when necessary", and close attention continues to be paid to changes in the distribution of international reserves.

The development of a managed system of floating exchange rates is likely to have important long-term implications for the world economy. In any case, until the full adjustment to the higher energy prices is accomplished, and the present surge of inflation brought under control, there seems to be no viable alternative to that system.

substantial fluctuations

Although it is too early for a rounded assessment of its operation thus far, it is possible to comment on two of its aspects. First, the fluctuations in individual exchange rates over periods of several months, as well as on a weekly or daily basis, were, by any criterion, substantial.[9] What needs to be explained, therefore, is the absence or insufficient presence of stabilizing speculation.

In interpreting the behaviour of exchange rates, it is useful to recall the circumstances and the climate of opinion surrounding the introduction of the system of managed floating. There was no prior planning or consultation among the major countries, no deliberate transition to the new system; on the contrary, it grew out of improvisation and experimentation with varying degrees of management, emerging from what was widely regarded as a collapse of the previous monetary system.[10] Not accidentally, this transition coincided with the sharp acceleration of inflation and, in particular, with the steepest rise in more than two decades in most commodity prices. The commodity price explosion was interpreted in many press and market analyses as a symptom, or a part of, the monetary collapse. Then, towards the end of the year, the increases in oil prices were widely accepted as a confirmation of the preceding panicky and catastrophic analyses.

There is a tendency now to explain the wide and frequent variations in exchange rates during the period, by reference to the very short-term horizons on which financial markets are said typically to focus their attention. It should be pointed out however, that the short-sightedness was due not so much to any inherent predilection of the markets, as to a dearth of reliable information on the basis of which the markets' horizons could be extended. In particular it is possible that the decline of the United States dollar rate relative to the Deutschmark could have been arrested earlier, and the subsequent correction less steep,

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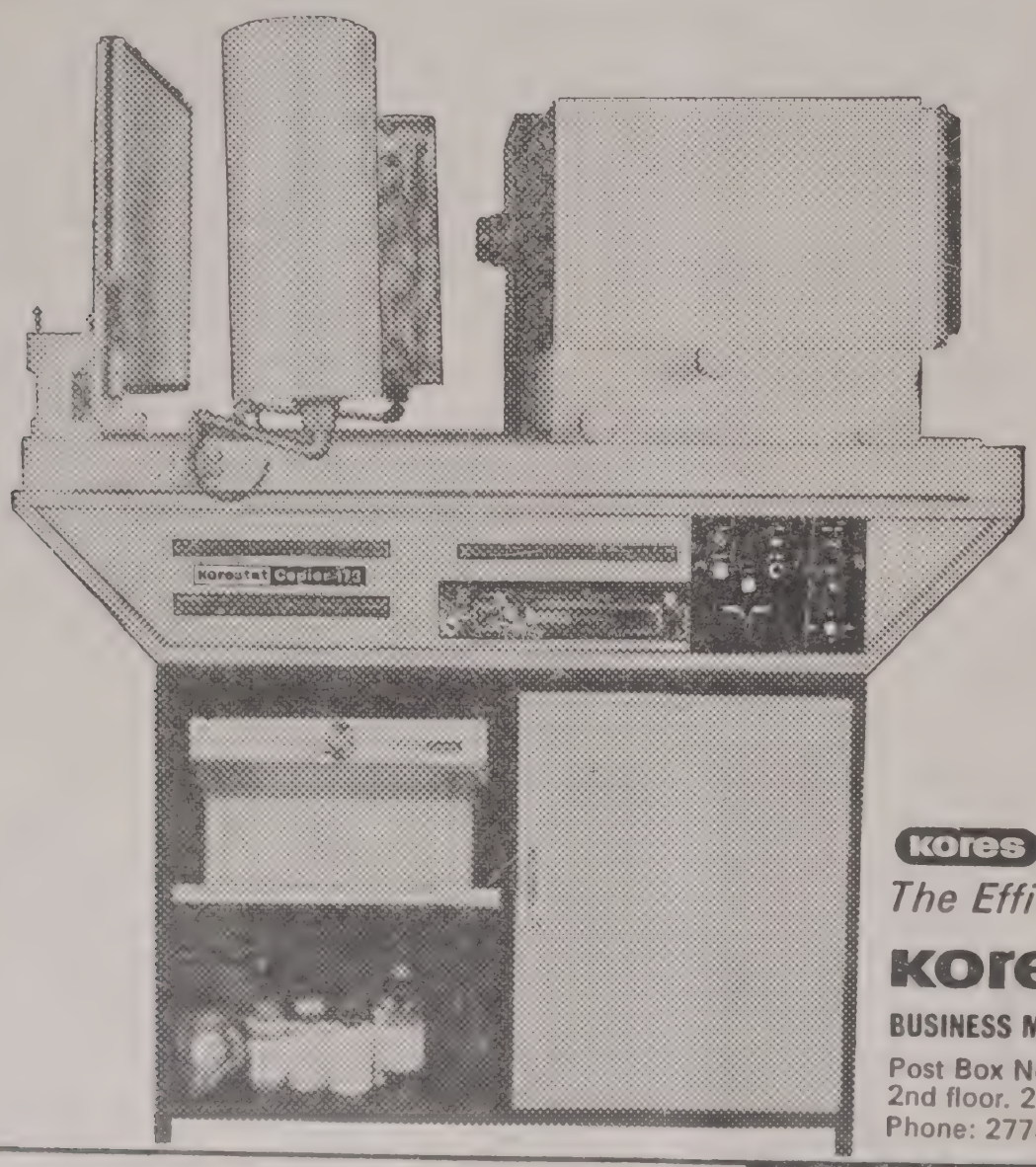
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orders had been available for more countries than the Federal Republic of Germany (where, for reasons mentioned below export orders happened to be growing rapidly).[11] In other words, the operation of the system of managed floating could be improved by increasing the supply of timely, reliable information to the financial markets. Statistics on foreign trade orders would be especially useful in assessing the effects of recent exchange rate changes and in forming a longer-term outlook, and it could be helpful if the major trading countries could agree to compile and publish these data—for import as well as export orders —on a regular monthly basis. There is an equally urgent need for more timely and detailed statistics on the international movement of the growing liquidities of the oil-exporting countries to assist financial markets in their intermediation functions.

exchange rate movements

What were the effects of the exchange rate movements on the level and pattern of international trade? This is a more difficult question to answer, in part because exchange rate changes affect trade flows with a lag, but more importantly because an unqualified answer would require knowing what would have happened if floating rates had not been introduced. There are, however, two pieces of evidence which suggest that the floating exchange rate system did not have a negative impact on the volume of international trade. There is, first of all, the record equalling expansion of world trade in 1973 While it is true that the stimulus came from the world-wide boom in production, world export statistics strongly suggest that the adoption of floating rates did not impede the response of trade to this stimulus. A more convincing development was the continued increase in the proportion of world production which enters international trade. Had the system of managed floating exerted a significant inhibiting effect on trade, it would have been reflected in a narrowing of the difference between the growth of world output and the growth of trade.[12]

The evaluation can be broadened by taking a somewhat longer view. Since the last years of the 1960's the amount of uncertainty surrounding the international monetary system, and the frequency of monetary "crises" often resulting in sizable movements in exchange rates, have been greater than at any other time in the postwar years. Nevertheless throughout this period the volume of international trade has continued to expand rapidly and the extent of international specialization to increase. There is an apparent underlying strength of the forces affecting the level and pattern of world trade, a strength that has until now kept the level of real trade flows from being seriously affected by disorders at the monetary level. This in turn suggests that disorders in the monetary system, at least of the magnitude experienced in recent years, affect the level of international trade mainly through the incentive they provide for governments to manipulate trade flows directly.

changes in pattern

Changes in the pattern of trade are the result of changes in one or both of two interrelated factors: the relative strength of reciprocal demand, and relative cost-price levels. The recent adjustments of the United States and Japanese balance of payments were so rapid that they would be difficult to explain without reference to the respective exchange-rate changes (beginning with the December 1971 realignment). In general it may be noted that the changes in trade prices and volumes, recorded in countries with appreciating as well as depreciating currencies, were well in line with theoretical expectations (allowing for the influences of income change and the commodity composition of trade), as shown in the table below:

In the pattern of changes in import and export prices there are only two noticeable deviations—United States exports prices and Japanese import prices both of which can be explained by a heavy concentration of foodstuffs and other basic commodities whose world market prices experienced unusually large increases during 1973.

With respect to volume changes the results are more mixed—as would be expected since the sequences of effects runs from exchange rate change to price change to volume change, with the adjustment period between the second and third effects necessarily longer than the adjustment involved between the first two. There is reason to believe that the relatively small change in Italian and United Kingdom exports, and the large increase in West German exports, are largely the result of particular domestic demand and supply considerations. In the first two countries bottlenecks apparently developed which were translated into greater uncertainty of delivery dates, while (West) Germany's ability to fulfill delivery commitments in a period of widespread shortages partly compensated for higher nominal prices. An additional element of explanation may be found in the product composition of West German exports, a large proportion of which consists of technologically advanced producers' goods characterized by (i) long delivery periods and (ii) relatively low price elasticity of demand.

Change in Trade Prices and Volumes

(Per cent change: 1973 over 1972)

	Unit values				Volume	
	Imports		Exports		Imports	Exports
	A	B	A	B		
Effective exchange rates declined						
United States	18.6	18.6	16.9	16.9	4.9	23.2
United Kingdom	28.4	25.7	12.6	11.3	16.4	14.4
Italy	27.5	27.1	13.9	13.8	12.7	4.1
Effective exchange rates appreciated						
Germany (Fed. Rep.)	5.2	27.0	1.0	22.0	7 4	18.1
Japan	20.8	36.6	9.2	23.7	28.3	4.7
Austria	2.9	22.2	3.0	23.2	10.3	10.7

A : Based on domestic currency.
B : Based on United States dollars.

II
Developments in 1974 and Prospects

The downturn in industrial countries was as synchronized and rapid as the preceding boom. From an 8 per cent annual growth rate in the first half of 1973, the combined GNP of the seven major industrial countries[13] increased at an annual rate of only 3 per cent in the second half of the year, with GNP in some countries stagnant or even declining. In the first half of 1974, the combined GNP of the seven is estimated to have declined at the annual rate of 1½ per cent.

In virtually all of these economies, the automobile and construction industries have been the main sources of weakness. In contrast, steel, chemicals and other

basic material industries continued to enjoy strong markets. With two exceptions, all major industrial countries recorded a decline in oil consumption in the first four months of the year relative to the corresponding period of 1973. These declines ranged from 17 per cent in the Federal Republic of Germany to 6 per cent in Italy; only in Canada and Japan did consumption increase, by 6 and 10 per cent, respectively; in the seven combined, consumption declined by 6 per cent. The fall in demand can be attributed to three factors: a declining level of economic activity, a mild winter, and consumer response to higher prices.

Inflation accelerated at varying rates, averaging some 14½ per cent for the seven major economies in the first half of 1974. Commodity prices in general rose further in this period. However, a marked difference developed in the behaviour of food as against industrial raw material prices. Prices of agricultural raw materials, such as fibres and rubber, peaked out in January and have been declining since. Minerals and non-ferrous metal prices began weakening in May. The pressures on raw material prices, originating in reduced intake by industrial users, is being compounded by some decumulation of stocks. Prices of most foodstuffs, in contrast, were still higher in summer than at the beginning of the year, and many of them continued to rise as earlier harvest forecasts were being scaled down. The low level of inventories of most basic foods and feedstuffs, and a continuing urgent demand for food aid in many developing countries, suggest that food prices may remain strong this year and the next.

increase in volume

In volume, exports of industrial countries appear to have grown at an annual rate of some 10 per cent in the first half of the year, up from approximately 8 per cent in the second half of 1973. Although their expansion rate in the first half of 1973 had been nearly 20 per cent, the contribution that exports made to sustaining the general level of economic activity was relatively even more important in the downswing than in the preceding boom.[14] The annual growth rate of the volume of imports into industrial countries, on the other hand, which had attained 16 per cent in the first half of 1973, declined by more than a half, to 7½ per cent, in the following six months, and was again halved, to 3½ per cent, in January-June 1974.[15] Expansion of exports by industrial to developing countries, stimulated by the increased foreign-exchange earnings of the latter countries in the last two years, accounts for the discrepancy in export and import growth rates. It is, in other words, a reflection of the recent swing of the terms of trade in favour of developing areas which continued and, indeed, was accelerated by the price increases in the first half of 1974.

Developments during the first half of the year indicated a dangerous polarization in the response of trade balances of the oil-importing countries to the oil-price increase. The trade surplus of the Federal Republic of Germany rose, despite the increased oil payments, to $8.6 billion (as against $13 billion for the whole of 1973). and the United States' net oil-import payment of $8.7 billion was almost offset by a trade surplus in other products. On the other hand, most other countries showed growing trade deficits, the largest being those of the United Kingdom, Japan and Italy—$8.4, $6.6 and $5.2 billion respectively. Among the major industrial countries, only Japan was successful in diminishing its overall trade deficit as the year progressed.

From the fragmentary data available, it appears that the value of exports by developing countries continued to grow rapidly in the first half of 1974. However, this was mainly due to the increased value of oil exports and of other raw material

TABLE III

Changes in the Main Components of Demand in the United States and Six other Major Industrial Countries*

(Billion dollars and percentages, at constant prices, seasonally adjusted)

		1972 (billion dollars)	1970 I	1970 II	1971 I	1971 II	1972 I	1972 II	1973 I	1973 II	1974 I
			Percentage change from previous half-year at annual rate								
GNP†	United States	1 155.2	—1.7	—0.2	4.1	3.7	7.3	7.3	6.9	2.7	—2¾
	Other Countries	1 121.7	6.6	4.6	3.9	4.6	5.3	6.9	9.3	3.5	—½
of which:											
Private consumption	United States	726.5	2.1	0	5.3	4.1	6.4	7.0	6,5	0.6	—2¾
	Other Countries	641.3	4.8	6.5	5.2	5.2	6.7	6.1	7.2	3.7	0
Private non-residential investment	United States	118.2	—3.5	—3.9	0.8	5.1	13.5	8.6	14.3	5.5	½
	Other Countries	153.2	0.3	—0.7	1.5	1.8	4.2	7.4	11.3	12.7	—½
			Changes as a percentage of GNP**								
Change in stockbuilding	United States	6,0	—1.6	0.6	—0.1	—1.1	0.4	1.0	—0.8	1.1	—1½
	Other Countries	10.0	0.6	—0.8	—1.5	—0.6	0.1.	1.2	1.9	—0.7	—1½
Change in foreign balance	United States	—4.6	0.4	0.1	—0.5	—0.5	—0.6	0.6	1.1	1.4	¾
	Other Countres	13.8	0	—0.7	0.7	0.3	—1.1	0	—0.6	0.2	1½

*France, Garmany (Fed. Rep.), Italy, the United Kingdom, Canada and Japan.

†GNP or GDP at market prices; figures for countries other than the United States are converted into US$ at current exchange rates.

**The rates of change refer to changes in stockbuilding and the foreign balance expressed as a percentage of GNP in the previous period.

Sources: OEDD. *Economic Outlook*, Various issues and US Department of Commerce, *Survey of Current Business*

evailing in the second half of 1973 and st quarter of 1974. Such scattered information as is available on the exports manufactures by developing countries es not permit any conclusions as to nether this flow accelerated or decelerad in the first half of the year. From d of 1973 up to May this year, the offinl reserves of developing countries inased by $13.3 billion, of which $11.4 bilon accrued to the main oil-exporting untries.

Information available from the coun-es of the Eastern trading area indicates steady expansion of industrial output, oceeding in Eastern Europe and the viet Union at close to the 7 per cent anned for 1974. The total trade of the ea (i.e. including intra-area trade) can estimated to have increased some 30 r cent in current dollar value during the st six months of 1974, the growth in the lue of imports having probably exceeded that of exports.

It appears unlikely that the buoyancy half of 1974 could continue into the second half; indeed it seems that the lagged response of trade to the deceleration of general economic activity in the first half of the year will set very narrow limits to such recovery as can be expected in the second half. It was noted earlier that the dynamism of exports by industrial countries in the first half of 1974, exceptional in the context of a general deceleration of economic growth, did much to contain the effects of the "energy shock", i.e., the uncertainty as to supplies and price of oil felt at the beginning of the year. In early summer, however, a deceleration in the flow of exports became evident, and was presumably accompanied by an even more pronounced decline in the flow of export orders. The causes of this and the anticipated further decline are not difficult to find: (i) interruption of economic growth in the industrial areas (which account for more than two-thirds of world trade), brought about by capacity limitations and anti-inflation policies, entails a weakening of their reciprocal import-demand; (ii) the large adverse movement of the porting developing countries, occurring at a time when the demand-prospects for their exports of industrial raw materials and manufactures are deteriorating, has begun to sharply limit their demand for imports of industrial products, the additional orders for investment and consumer goods placed by oil-exporting countries being not yet large enough to help offset this decline; (iii) a further weakening of demand OECD exports by the subset of countries (mainly around the Mediterranean) for which tourist receipts and wage remittances are traditionally important sources of foreign exchange, since they face not only the problem mentioned under (ii), but also a decline in those two sources of exchange earnings.

On this background, and with a growing tighness in all the main financial markets, some of which were showing signs of considerable strain by late summer, the prospects for an upturn of economic activity in the industrial areas in the second half of 1974 dimmed again. The volume of world trade will certainly increase much

TABLE IV

Trade Balance of Total Commodities and of Petroleum and Petroleum Products in Selected Industrial Countries

(Billion dollars)

			All commodities	Petroleum and petroleum products	Other commodities
anada		1973	+1.89	+0.64	+1.25
	Jan.-May	1973	+0.72	+0.29	+0.44
	Jan.-May	1974	+0.39	+0.51	—0.12
ermany (Fedral Repubiic of)		1973	+12.31	—5.03	+17.34
	Jan.-May	1973	+3.82	—1.58	+5.40
	Jan.-May	1974	+8.61	—4.32	+12.93
aly		1973	—5.59	—2.38	—3.21
	Jan.-May	1973	—2.08	—0.78	—1.31
	Jan.-May	1974	—5.23	—2.81	—2.42
pan		1973	—1.38	—6.66	+5.27
	Jan.-June	1973	—0.50	—2.79	+2.29
	Jan.-June	1974	—6.64	—10.00	+3.36
orway		1973	—1.53	—0.33	—1.20
	Jan.-May	1973	—0.56	—0.11	—0.45
	Jan.-May	1974	—0.91	—0.31	—0.60
witzerland		1973	—2.09	—0.79	—1.30
	Jan.-June	1973	—1.02	—0.29	—0.74
	Jan.-June	1974	—1.41	—0.67	—0.74
weden		1973	+1.53	—1.01	+2.54
	Jan.-April	1973	+0.47	—0.22	+0.69
	Jan.-April	1974	+0.32	—0.64	+0.96
nited Kingdom		1973	—8.30	—3.28	—5.02
	Jan.-June	1973	—3.43	—1.51	—1.92
	Jan.-June	1974	—8.35	—4.64	—3.71
nited States		1973	+1.76	—7.18	+8.94
	June-May	1973	—0.81	—2.39	+1.58
	Jan.-May	1974	—	—8.73	+8.73

Source: National Statistics.

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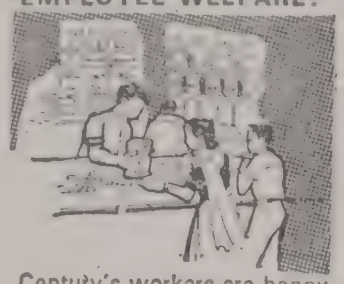
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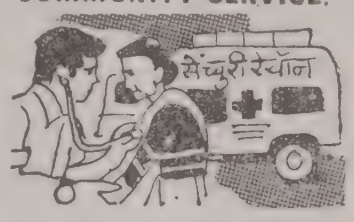
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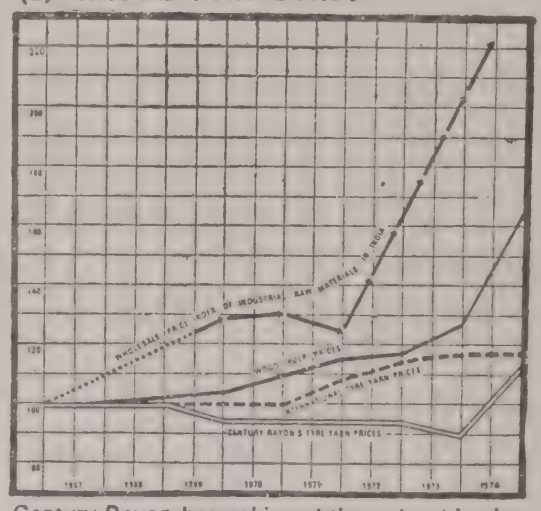
(1) RAYON FILAMENT YARN.

Domestic and International Prices. Rs./kg.			Century Rayon's Prices.* Rs./kg.	
Bombay Market Prices*	U.S.A. Domestic Prices.	International Prices.	To Actual users.	Concessional Prices to Fabric Exporters.
AROUND 30.00	21.14	21.36	14.22	10.87

Exclusive of Excise duty

Very rigidly adhering to the Voluntary agreement between Viscose Rayon Spinners and Weavers, Century Rayon is selling approximately 60% of its production directly to Actual Users at the low price of Rs. 14.22 per kg. and an additional 20% directly to exporters of Rayon Fabrics, at a substantially low price of Rs. 10.87 per kg.

(2) RAYON TYRE CORD.



Century Rayon has achieved the twin objectives of maintaining the price of Tyre Cord below the international level and supplying directly to Actual Users.

CAUSTIC SODA.

To meet the needs of genuine users in the present acute shortage conditions, Century Chemicals is following a policy of supplying the entire production to Actual Users on the basis of past offtake, at fair prices.

Century Rayon

CENTURY RAYON

Industry House, 159, Churchgate Reclamation, Bombay 400 020.

CENTURY CHEMICALS

CONCEPT-CR-1503 R

trong trade expansion in the first half of he year, the annual increase may fall into he range of 6-8 per cent. Further increase in unit values of world trade should oe expected, for even if commodity prices decline somewhat in the second half of he year, it is unlikely that the rise registered in the first half could be fully offset. Furthermore, as prices of manufactures entering world trade have risen at an accelerated pace during the first six months of 1974, there is little prospect of them evelling off in the next two quarters.

It is obvious that inflation, and the adjustment to the higher relative price not only of crude oil but of energy in general, will continue to preoccupy national and international economic policy in the remaining part of the year and, on the assumption that crude oil prices will not be changed, for several years to come.[16] Each of these problems is difficult enough in itself, and in conjunction they compound each other. Analysis of the nature and inter-connexion of these problems may therefore be useful as a basis for a medium-term outlook on the world economy.

The main features of the problem of inflation have already been discussed. The adjustment to higher energy cost has two aspects. The more urgent one, though not short term in nature, is the payments aspect. In principle, this is only a technical problem, theoretically not difficult to solve. Its practical difficulties can hardly be overestimated, however, since its solution consists in coordinating economic policies of a number of oil-importing countries for an effective management of their collective current-account deficit.

current estimates

Current estimates of this year's collective deficit. which results from the inability of the oil-exports to spend all of their proceeds on current account items cluster around $50 to $60 billion. How is this amount going to be distributed among the oil-importing countries? Some of them are better placed than others to supply the goods and services demanded by the oil-exporters and/or to receive the investment of the surplus earnings of the latter. By and large, these two advantages tend to go together and the countries enjoying them will be in a strong balance-of-payments position, perhaps absolutely strong, certainly relative to other oil-importing countries. Countries in the weakest balance-of-payments position will thus show two types of imbalance, running current account deficit with the strong oil-importing countries as well as with the oil-exporters. The former type of imbalance can, and indeed soon must, be corrected by the orthodox methods of restraining domestic demand and, making a larger part of national output available for export or import-substitution. Since the countries in relatively strong payments position are committed to resolutely anti-inflationary policies for the second half of the year, the anti-inflationary policies of countries in relatively weak payments position will have to be even more stringent in order to improve their current accounts.

In contrast, the second type of imbalance, the current account deficits with the oil-exporters, cannot be corrected in this way, and any attempt to do so would threaten a cumulative downturn of trade in general. The distinction of these two types of imbalance, each to be acted on differently, is clear in theory but difficuit in practice. Indeed, the problem can only be resolved through a continuing close policy coordination between oil-importing countries in relatively strong and relatively weak payments positions. While the need to borrow and maintain their credit standing compels the latter group of countries to tighten their anti-inflation policies, countries of the former group should actively encourage the recycling, through capital and/or current account, of the oil funds they receive.

real adjustment

The second aspect concerns the "real" adjustment to the higher cost of energy, in other words, the actual changes in industrial structures, both within and among nations. The ultimate response of the consumers as well as producers to this change in relative prices will tend to bring about in each country a relative decline of some industries and expansion of others. The sum of all these responses will represent an extensive change in the investment pattern, and the carrying out of the new investments so indicated will entail organizational problems much more demanding than those present in a normal cyclical upswing in investment activity. The difficulty of this adjustment is increased by the fact that it has to be carried out in an inflationary environment and under polices aiming to restrain inflation both of which increase the possibility of specific errors. For example, erroneous investment decisions may be made, or correct ones postponed, due to uncertainty about relative prices of various kinds of fuels and energy in the future; the strains imposed on the financial system by the anti-inflation policy as well as by the preference of oil-exporters for certain types of financial investment, may, in combination with other institutional rigidities, lead to (temporarily) inefficient distribution of capital among the major sectors of individual economies; and, unless there is a strong political leadership to explain and marshall support for the necessary re-ordering of social priorities, the adaptation conducted under strong anti-inflationary policies could imply a considerable degree of social friction.

lower GNP growth

In the next few years, therefore, rates rates of GNP growth in the main industrial countries may be expected to be lower than those recorded in the recent past, and the rates of unemployment somewhat higher. If the present payments problems are resolved, there is little need to fear a protracted *decline* in economic activity as the general picture contains elements of considerable strength.

By itself, the increase in the relative price of energy sets up powerful incentives to invest in the development of alternative energy sources and, at the same time to effect energy savings in existing facilities, whether residential, commercial or industrial, as well as in the transportation system. Preliminary estimates of the total amount of such investments needed by the oil-importing countries in the coming decade range from one trillion dollars upward. The increased income of the oil-exporting developing countries; and the resulting expansion of their dematnd is also an element of strength for the industrial economies, moreover one that can be cultivated and increased by appropriate policies.

On the other side of the ledger must be listed the repercussions of this adjustment in industrial countries on other areas. In the period of reduced aggregate growth caused by the inherent difficulties of the required structural adaptation, the savings ratio of the industrial economies may decline (in a period of less than full employment both social security funds and many households become dis-savers); and since the adaptation itself is likely to be capital-intensive, involving a substitution of reproducible capital for non-renewable cheap energy, the global economy may indeed experience a period of relative capital shortage. The implications of this capital shortage for the developing countries give cause for urgent concern.

First, the developing economies with their generally lower savings ratio, will also face the need for large capital investment in energy saving and in the development of alternative energies, and this will mean less capital for investment in

other sectors. Second, the slower growth and the adjustment strains in the industrial economies may limit, for a time, their demand for and capacity to absorb imports of both industrial materials and manufactures from developing countries. Third, the capital shortage which may accompany the adjustment of the industrial economies is likely to limit further the flow of private capital and development aid from the latter to the developing areas. The adjustment difficulties experienced by industrial countries could thus limit or even reduce the total amount of capital available for investment in developing countries.

Whether the momentum of development which the low-income areas attained in the 1960's and the early years of the 1970's can be maintained in the face of these problems may indeed be the crucial question facing the world community for the remainder of this decade.

magnitude of problem

The magnitude of the problems facing the world economy is a challenge to political leadership. At the domestic level, the problems have to be explained and public support marshalled for the difficult decisions that lie ahead. At the international level, there has to be convincing evidence that common problems are being tackled in a cooperative way. The OECD Declaration was an important step in this direction, but its pledge to avoid negative actions has to be followed by commitments to positive actions to strengthen international economic cooperation.

The multilateral trade negotiations, soon to enter into their substantive phase, offer an important opportunity for such a joint positive action. They can contribute to the solution of the major problems discussed in these pages in three distinct ways.

First, the re-affirmation of the stability of the international trade system by the large number of governments coming together to negotiate will strengthen general confidence which is a necessary condition of economic recovery, speedy adjustment and further progress. Second, new trade liberalization measures will indicate new opportunities for productive investment, and thus reduce some of the uncertainty inherent in the period of extensive industrial adaptation which the oil-importing economies are entering. Finally, at a time when pressing social and economic needs may be constrained by a relative shortage of resources, it is of paramount importance to take advantage of the opportunities, provided by trade liberalization, to increase through trade expansion the efficiency with which existing resources are used.

References:

1. United States, Canada, Japan, the Fed. Rep. of Germany, France, Italy and the United Kingdom.

2. The Introduction of floating exchange rates increased the difficulties involved in compiling foreign trade statistics, whether in value or volume terms.

3. Developments in the petroleum market, coming late in the year, are covered in the second Sub-Section of this chapter dealing with 1974.

4. Data sources: *Federal Reserve Bulletin*, April 1974; *Statistische Beihefte zu den Monatsberichten* der *Deutschen Bundesbank*, Reihe 4, June 1974.

5. See OECD *Economic Outlook*, July 1974.

6. Among those recording the largest price increases were grains, fishmeal, oilseeds, cotton, rubber, non-ferrous metals and, near the end of the year, petroleum.

7. The eleven countries are the United States Canada, Japan, Belgium, Franee. the Federal Republic of Germany, Italy, Netherlands, Sweden, Switzerland and the United Kingdom. In 1973 they accounted for 76 per cent of world output outside the Eastern trading area, and 63 per cent of world trade.

Domestic money supply figures for individual countries were taken from the IMF's *International Financial Statistics*; when data on "quasi-money' are included, the figures display a similar pattern over the period 1961-69 and 1970-73. If the Eurocurrency market is added to the narrow definition of money, the 1961-69 figure is 7.5 per cent, while the increases for 1970-73 are 12.7, 18.1, 17.6, and 18.8 per cent respectively (the first Eurocurrency figure is for 1964). Aggregating money supplies of different countries presents certain conceptual problems, and the figures should be taken only as indicating orders of magnitude.

8. In a few instances the inflow of foreign funds was so large that the central bank found it technically impossible to fully "sterilize" it.

9. See F. Hirsch and D. Higham, "Floating Rates—Expectations and Experiences", *The Three Banks Review*, June 1974, pp 3-34.

10. In this context it should also be noted that the initial operation of the system was undoubtedly hampered by the lack of practical experience on the part of firms, dealers, commercial banks, and central banks with widespread floating rates (as evidenced, for example, by the substantial foreign exchange losses incurred by some commercial banks).

11. By July 6, 1973 the Deutschmark. relative to the dollar, was 30 per cent above the central rate agreed to in February and 42 per cent above the Smithsonian parity, by January 8 of this year the discrepancy was down to 12 per cent above the Smithsonian rate.

12. There is little reason to believe that the continuing rapid expansion of international trade occurred *because* of the monetary uncertainties. Some evidence exists that monetrry uncertainties stimulated trading in certain commodity markets as asset holders sought protection from inflation and or exchange rate changes. The relative importance of this demand is not clear, but it is unlikely that it accounted for much of the overall increase in the volume of trade (with the possible exception of one or two countries), in part because the increased demand for commodities affected prices more than quantities, and in part because many of the asset-related transactions were "paper" transactions in which titles to current or future stocks. rather than the stocks themselves, flowed to the home countries of the new owners.

13. United States, Canada, Japan , the Federal Republic of Germany, France, Italy and the United Kingdom.

14. In the first quarter of 1974, the United States GNP declined by $ 11.6 billion, while the net export surplus (of goods and services) rose by $ 0.9 billion; in the Federal Republic of Germany total GNP expanded by one billion dollars and the net export surplus by $10.5 billion.

15. Sec OECD, *Economic Outlook*, July 1974.

16. Taking a somewhat longer view, there is reason to question the assumption that recent developments have resulted in a *permanent* increase in the relative price of energy. On the one hand there is the obvious fact that current petroleum prices in the major producing countries have no relation whatever to costs of production, divorced from the element of rent, which by itself introduces a considerable degree of uncertainty. A second, and more fundamental, point concerns substitute sources of energy. When petroleum was cheap, there was little incentive for either private industry or governments to invest in a search for alternative energy sources and it is not surprising that the rate of technological advance in this area has been slow. Now that petroleum is not cheap, massive energy research programmes are getting underway, and there are no *a priori* reasons for supposing that technological breakthroughs in this area will, after some lead-time, by any less impressive or revolutionary than were those attained in other areas in which a substantial amount of resources had been devoted to research and development.

MOVING FINGER

It is good that our rulers

should occasionally do some heart-searching or soul-searching. I confess I do not know whether soul-searching has got anything to do with religion, but I suppose that those who believe in religion believe in soul and *vice versa*. I confess also that I do not know whether religion has anything to do with praying at temples, churches, mosques, synagogues or other places of worship but I have noted that Mrs Gandhi goes to temples sometimes, which means possibly that she gets religion on occasions which, in turn, may conceivably suggest that she does some soul-searching now and then.

When Mrs Gandhi visits temples, she does so not only in style but also to the manner born. I still remember the vivid accounts I heard of how she conducted herself before the sanctum sanctorum when she visited the Venkateswara temple at Tirupati some time ago. An enthusiastic observer described to me how utterly absorbed she seemed to be in the contemplation, presumably, of the Infinite. In the last few days we were treated to newspaper reports of her visit to another famous shrine, the Kamakshi temple at Kancheepuram. *The Hindu* said that *archana* was performed to the deity on her behalf. The usual temple practice is for the *nakshatra* of the worshipping beneficiary to be recited in the course of the supplication to the deity. It should be interesting to know whether this was done on this occasion and, if so, what Mrs Gandhi's *nakshatra* is. In other words, do her personal papers include a horoscope?

The 'Times of India' with

its nose for the news behind the news, has just informed its readers that Mrs Gandhi's temple-going need not surprise anyone since she is not an agnostic as her father was. I am not so sure that Nehru was an agnostic either. When he was alive, I remember again some newspaper saying that he himself preferred to be known as a pagan. According to the C.O.D., 'pagan' could mean 'heathen'; it could also mean 'unenlightened person.' The latter meaning, it may be assumed, is not relevant to the context. We are therefore left with 'pagan', meaning 'heathen.' Returning to the C.O.D., 'heathen' means one who is neither 'Christian, Jewish nor Mohammedan.' This certainly helps us to know what Nehru was not; he was not Christian, Jewish, or Mohammedan. It does not follow, however, that he was an agnostic. He could quite possibly have been both a pagan and a Hindu after all.

When we turn to his daughter, we seem to be on less speculative ground, thanks to *The Times of India*. It quotes Mrs Gandhi as telling Ela Sen, one of her recent biographers, that she believes in the Hindu concept of a "supreme intelligence directing all." The fastidious, however, may well wonder whether this in itself proves that Mrs Gandhi considers herself to be a Hindu, practising or, for most of the time, non-practising. A "supreme intelligence directing all" is all right, but it is by no means clear whether Mrs Gandhi meant that this intelligence was necessarily divine. So far as India's affairs, at any rate, are concerned, I have a suspicion that Mrs Gandhi's concept of a "supreme intelligence directing all" may not have anything to do with religion or, indeed, anything extra-terrestrial.

Writing this two days

after Mrs Gandhi's visit to Kancheepuram where, besides worshipping at the Kamakshi temple, she also did some meditation in the immediate presence of the Sankaracharya of Kamakoti Peetam, I find that there is no finality yet in newspaper accounts of her meeting with him. The Sankaracharya has been observing *maunavrata* for some time and the question is whether he broke his silence to converse with Mrs Gandhi. According to a PTI report which appeared in *The Times of India* on the day following Mrs Gandhi's visit to the Sankaracharya, "the Acharya and the prime minister conversed in Hindi according to *ashram* sources." The report in the issue of *The Hindu* of the same date, however, said that "according to *ashram* sources the saint, who has been observing a vow of silence for the past one month, smiled benignly and offered his blessing by a gesture of his hand." On the following day, an official spokesman in New Delhi indicated that the Sankaracharya did converse with the prime minister although all that he could specifically state was that, when the prime minister was having her wholly private audience with the Sankaracharya, those who were on the other side of the plaited partition could hear snatches of the conversation, but they could not ascertain whether the Sankaracharya spoke in Hindi or English. As for the prime minister herself, all that she permitted herself to say was that it was a good meeting which was not saying much, but which could also be as much as others needed to know. Even a prime minister does not cease to be a private person and must therefore be permitted her private moments.

Incidentally, all newspaper reports are in agreement that Mrs Gandhi spoke to the Sankaracharya on the difficult problems the country was facing and asked his blessings for the well-being of the nation—and got them. She, apparently, has given up hopes of securing the services of the wizard she said she needed for setting right the national economy. It is possible that Mr Chavan has entered a caveat.

Mr Alastair Burnet,

who has been the editor of *The Economist* since 1965, is taking over the editorship of *The Daily Express*. There is no doubt that Mr Burnet has been an innovative and forceful editor of *The Economist*. He has also contributed a great deal to making it more lively in style and substance. Since readability is certainly the first virtue even if it may not be the first and last virtue of any publication, *The Economist* and its readers do owe a great deal to its present editor.

At the same time his reactionary attitudes towards domestic and international affairs, whether economic or political, have tended to alter the character of *The Economist* as an essentially liberal journal in ways which are becoming increasingly distasteful. It could be argued perhaps that a journal such as *The Economist* should be judged primarily in terms of its expertise in its own field. Even here Mr Burnet's custodianship does not seem to have made for optimum standards of responsibility.

I shall give only one instance. Early last year, I think, *The Economist* seriously urged the Japanese government to adopt deliberately a policy of domestic inflation as a means of reducing that country's balance of payments surplus. It was argued monstrously enough that Japan had an obligation to inflate because its major trading partners were finding it difficult or impossible to control their own domestic inflation.

VB

TRADE WINDS

Bankers' Dilemma

INTERNATIONAL BANKING has received a jolt or two, thanks to the temptation offered by the disturbed foreign exchange market to the unscrupulous bank officials to indulge in speculative forward transactions. A branch of the Lloyds Bank International in Lugano, Switzerland, was recently found to have suffered a loss of £33 million. It is alleged that an official of this branch had been carrying on forward operations mainly in Deutsche Mark and burnt his or, rather, the bank's fingers due to the easing of this currency vis-a-vis the US dollar. Lloyds have promptly pledged themselves to make good this loss and the bank of England has given its consent to the transfer of funds to Switzerland. Fortunately, Lloyds International could draw on its expected profits during the year of £70 million.

Earlier in the year, the German Bank, Herstatt had been forced to put up its shutters with consequences far more serious to its constituents. This bank which was the largest private bank in that country was allowed to sink rather unceremoneously after it was discovered that an amount equivalent of £100 million or more had been lost by its officials in currency speculations.

At one stage Herr Hans Gerling, who controlled over 80 per cent of Herstatt, was told that the losses might be around £10 million and he hoped that these would be made up from the bank's reserves. Later on, however, a confession from the head of the foreign exchange department of his bank revealed that the losses were beyond £78 million. Herr Gerling was prepared to underwrite the deficit himself to the extent of £40 million, equivalent to his private fortune. But still a similar amount was left which the bankers were prepared to raise only after they had laid their hands on his insurance companies. Herr Gerling did not offer that.

It appears that financial controls within the banks have not kept pace with the growth of foreign exchange dealings and the wide fluctuations in the foreign exchange rates could cause considerable loss to a bank. Consequently, the Bundsbank is now insisting that the foreign exchange position of each bank should be made available to it. The idea being that foreign exchange transactions should not grow out of proportion to the size of the capital of the bank.

State Loans

Thirteen state governments have announced the issue of new loans bearing an interest at six per cent per annum for amounts aggregating to Rs 75.25 crores. They are (with the amounts of loan in crores of rupees in brackets) : Andhra Pradesh (12.75), Gujarat (1), Himachal Pradesh (1.25), Karnataka (6.75), Kerala (1), Maharashtra (9.75), Manipur (3.25), Meghalaya (3.50), Nagaland (5.25), Rajasthan (2.25), Tamil Nadu (8.75), Tripura (1.50), and Uttar Pradesh (18.25).

The new loans, which take the total borrowing by 21 state governments to a record of Rs 280.50 crores by way of notified amounts alone, will open for subscription on September 27 and close on September 30, or earlier without notice as soon as subscriptions approximate to the amount of each issue. All the loans will be issued at Rs 99. All the state governments reserve their right to retain subscription up to ten per cent in excess of the notified amounts. This is the second issue by Andhra Pradesh, Gujarat, Karnataka, Kerala, Maharashtra, Rajasthan, Tamil Nadu and Uttar Pradesh. Payment of interest will be made half yearly on August 27 and February 27. Interest in respect of all loans will be liable to tax under the Income Tax Act, 1961.

Licensing for Conductors

The union government has decided to withdraw AAC/ ACSR Conductors from the purview of exemption from licensing provisions of the Industries (Development & Regulation) Act, 1951. However, small scale units will continue to remain exempted from licensing provisions. The withdrawal came into effect on August 29, 1974. The industrial undertakings which have already come into existence without having obtained an industrial licence under the provisions of the I (D &R) Act, 1951, or in respect of which effective steps have been taken before August 29, 1974, will be required to obtain 'carrying on business' licences within a period of six months. Parties required to submit applications for COB licences should do so in form 'EE' within three months from August 29, 1974.

Iron Ore Mining

The iron ore mining industry is to continue as a public utility service for a further period of six months from September 4, 1974, according to a government declaration. The government is of the opinion that it is in the public interest to extend the period. Earlier the Industry was

NOTICES

NOTICE

THE DELHI CLOTH & GENERAL MILLS CO. LTD.

In terms of Rule 4A of the MRTP Rules, 1970, it is hereby notified that The Delhi Cloth & General Mills Company Limited, Bara Hindu Rao, Delhi-110006 propose to make an application under Section 22 of the MRTP Act, 1969 to the Central Government in the Department of Company Affairs, New Delhi, in regard to its proposal to manufacture Synthetic Detergents with a capacity of 36,800 tonnes per annum at Kota in Rajasthan involving an estimated investment in Land, Building, Plant and Machinery of Rupees 325 lakhs approximately.

Any person interested in the matter may, if he so desires, intimate to the Central Government in the Department of Company Affairs, within 14 days of the publication hereof his views with regard to the proposal contained in this Notice and also the nature of his interest therein.

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LTD
(Incorporated In England.)

7.3/4% Debenture Stock 1980
Interest for the half year ending 14th October, 1974.

Notice is hereby given that Interest at the rate of Rs. 38.75 P. (Less Indian Income Tax) per Rs. 1,000/- of Stock will be paid on 15th October, 1974 to Debenture Stockholders registered in the Books of the Company on 2nd October, 1974. Application for transfers received at the Company's Office at Victoria House, Post Box 304, Chowringhee Square, Calcutta, upto 2nd October, 1974 will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above Interest.

Debenture Stock Transfer Book will be closed from 3rd October, 1974 to 14th October, 1974 both days inclusive.

By order of the Board
S.K. Niyogi
Secretary

Victoria House,
Calcutta-I
10-9-74

on March 4, 1974.

Fuel Energy Committee

India's energy requirements will increase nearly five-fold in 20 years from 197 million tonnes coal equivalent (MTCE) in 1970-71 to 900 MTCE in 1990-91, according to the Fuel Energy Committee whose final report is now before the government. The energy requirements are projected to increase substantially in the current and sixth Plans (371 MTCE by 1978-79 and 600 MTCE by 1983-84) but the rate of increase will decline in the seventh Plan. In the context of the continuing oil crisis the committee envisions a crucial role for coal as the primary source of energy in the next three decades and even afterwards. In 1970-71 of the energy requirement of 197 MTCE, coal provided 72 million tonnes. The committee has worked out three different projections on the relative requirements of coal, oil and power. One projection assumes that the relative mix of the various sources will be more or less the same as at present. The second proceeds on the basis of a sharp cut in oil consumption, and the third is based on a compromise between the first two sets. It is assumed that in conformity with the experience of western countries the ratio between energy requirement and the GNP will decline in subsequent years.

Free Trade Zone in Calcutta

The details for the actual setting up of a free trade zone near Dum Dum in Calcutta are now being worked out. The West Bengal government has recently submitted to the union ministry of Commerce data for this project. This was stated by Mr A.C. George, deputy minister of Commerce recently. The minister added that the project report on this proposal was received in April 1973 from the West Bengal government. The free trade zone was proposed to be set up in an area of 400 acres in Salt Lake near Dum Dum, for the manufacture of

ports, such as stainless steel cutlery, hand and small tools, builder's hardware, finished leather, readymade garments,

ment.

Inter-State Task Force

A standing committee has

ministry of Industry to examin
the problems of industry i
the states of Punjab, Haryan
and the union territory o

6 Per cent State Government Loans, 1984

	State	Amount of Loan (in crores of Rs)
1.	Andhra Pradesh	12.75
2.	Gujarat	1.00
3.	Himachal Pradesh	1.25
4.	Karnataka	6.75
*5.	Kerala	1.00
6.	Maharashtra	9.75
7.	Manipur	3.25
8.	Meghalaya	3.50
9.	Nagaland	5.25
10.	Rajasthan	2.25
11.	Tamil Nadu	8.75
12.	Tripura	1.50
13.	Uttar Pradesh	18.25
	Total	75.25

*Second Issue.

All the above loans will be issued at Rs 99.00 per cent and will open for subscriptions on Friday, 27th September, 1974 and close on Monday, 30th September, 1974 or earlier without notice as soon as subscriptions approximate to the amount of each issue. All the State Governments reserve their right to retain subscriptions upto ten per cent in excess of the notified amounts.

The loans will be redeemable at par on 27th August 1984. Interest on the above loans for the period 27th September 1974 to 26th February 1975 inclusive will be paid on 27th February 1975 and thereafter payment of interest will be made half-yearly on 27th August and 27th February each year. Interest in respect of all loans will be liable to tax under the Income-tax Act, 1961. Interest on Government securities along with income in the form of interest or dividends on other approved investments will be exempt from Income-tax subject to a limit of Rs 3,000/- per annum and subject to other provisions of Section 80L of the Income-tax Act 1961.

The value of investments in the Loans now issued together with the value of other previous investments in Government securities and the other investments specified in Section 5 of the Wealth Tax Act, 1957 will also be exempt from the Wealth Tax up to Rs 1,50,000/-.

Subscriptions may be in the form of CASH/CHEQUE.

Applications *for all the loans* will be received at the Offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna and the State Bank of Bikaner and Jaipur at Jaipur.

Applications will also be received at other places *within the* respective States as follows:

(i) Branches of the Subsidiary Banks of the State Bank of India conducting Government treasury work except at Hyderabad; and

(ii) Branches of the State Bank of India at places where there is no branch of its Subsidiary Banks conducting Government treasury work;

Applications for Himachal Pradesh, Kerala, Meghalaya and Nagaland State Loans will also be received at treasuries and Sub-treasuries in the State of Himachal Pradesh, Kerala, Meghalaya and Nagaland respectively at places where there is no branch of the State Bank of India or its subsidiaries conducting Government treasury work. Applications for Uttar Pradesh State Loan will also be received at the District Treasury, Chamoli.

Copies of the Notifications and Application Forms may be obtained from any of the Receiving offices mentioned above.

In the event of over-subscription to the loan applied for, applicants tendering applications at the Offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna will be given the option of transferring their cash refunds to any other State Government Loan which may still be open for subscription. To avail themselves of this facility, applicants should complete the "Special Option Form", copies of which can be obtained at any of the offices of the Reserve Bank of India mentioned above and tender the form along with their applications.

Delhi. This standing committee will go into the problems being faced by the industries and will meet every two months to make the appropriate recommendations to the union government. It will examine the demand and supply of scarce raw materials, power situation and problems of transportation and finance.

Santa Cruz Export Zone

The first consignment of exports from the Santa Cruz export processing zone near Bombay was launched on September 1. The zone was set up two years back in an area of 100 acres with a provision for accomodating nearly 100 units, exclusively for production and exports of electronic equipment and components. Five units from the zone are starting their export operations.

The Santa Cruz export processing zone, which has been set up with the help of the Trade Development Authority, Department of Electronics and the government of Maharashtra, has a target of annual exports of Rs 50 crores within three years. Facilities available to the manfacturers and exporters in the zone are: duty-free import of capital goods and equipment from preferred sources; exemption from customs and additional (countervailing) duty on raw materials, components, consumables, spares, tooling and packaging materials—imported; exemption from central excise duties and other levies on products manufactured within the zone; and capital goods, equipment, raw materials, components, spares, tooling and packaging materials supplied to the zone from the rest of the country are treated as exports and are eligible for all the concessions such as cash assistance, duty drawbacks etc. as are available to units in the Domestic Tariff Area exporting out of India.

Release of Sugar

The union government has ordered the release of 260,000 tonnes of sugar for October, 1974. It will consist of 180,000 tonnes for levy and 80,000 tonnes for free sale.

IFC

The Industriai Finance Corporation of India will be issuing cash-cum-conversion bonds for Rs 10 crores to augment its resources. The 6 per cent bonds 1984 are fully guaranteed by the central government as to repayment of principal and payment of interest and are approved securities under the Indian Trusts Act, the Insurance Act and the Banking Regulation Act. The issue price will be Rs 99 for every Rs 100 of the bonds applied for. The IFC also announced that its 4½ per cent bonds 1974 due for redemption on September 28, 1974 will be accepted for conversion into new bonds. The list will open on September 28 and will close on October 24, 1974 or earlier as soon as the issue is fully subscribed.

IFC has also raised its lending rates consequent upon the increase in Bank Rate. Its lending rate of interest on rupee loans would be 11.25 per cent instead of 9.5 per cent a year charged earlier. The rate of interest on rupee loans to eligible industrial projects in notified backward districts/areas would be 9.5 per cent a year instead of 8 per cent a year. The revised rates of interests are, however, subject to a rebate of one per cent a year for punctual repayment instalments of principal and payment of instalments of interest.

Interest chargeable on soft loans granted to jute indutry, export-oriented cotton textile mills and hotel projects would be 11.25 per cent a year instead of 9.5 per cent per year charged earlier. The revised rate is subject to a rebate of two per cent a year for punctual repayments of instalments of principal and payment of interest. The revised rates of interest have been made applicable to all rupee loans sanctioned on or after July 30, 1974.

The IFC had to step up its rate of interest pursuant to the increase in the Bank Rate from 7 per cent to 9 per cent a year effective from July 23, 1974 and consequential increase in the rate of interest on rupee loans charged by the Industrial Development Bank of India from July 27, 1974. IFC's interest hike follows approval by IDBI.

Turbine by BHEL

The Bharat Heavy Electricals, Hardwar, has successfully tested its fifth 200 MW steam turbine meant for Ukai thermal power station in Gujarat. One 200 MW set is capable of generating enough power to light nearly one million homes. The manufacture and design of the turbine incorporates the latest technology and materials used in this type of equipment anywhere in the world. The unit has very high efficiency and very low value of heat rate.

The turbine consists of nearly 52,000 components precisely fabricated, machined and assembled and involves intricate technological operations and process.

Governing system of the turbine automatically maintains the speed within four per cent of rated speed. The turbine is protected against the dangers of overspeeding, axial shift, poor vacuum and lubrication



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Economic and Social Commission

The Economic Commission or Asia and the Far East ECAFE) officially changed its ame recently to the Economic nd Social Commission for sia and the Pacific (ESCAP).

Assistance from UK

An agreement for a loan llocating Rs 56.9 crore (£30 illion) of British assistance o India was signed in New Delhi recently. The loan, the JK-India Maintenance Loan 974, No. 2, provides for the nport from Britain of non-roject goods. Among these re raw materials, spare-parts nd components required to ervice India's agricultural and ndustrial production. The oan, like all British loans to ndia since 1965, is free of nterest and service charges nd repayable over 25 years, with no repayment due during he first seven years. This s the first instalment of the 7.5 mission pledged by Britain or 1974-75 at the Aid-India Consortium in June this year.

Aid from Japan

India and Japan have sign-d an agreement for setting up he Rs 138 crore fertiliser plant t Bhatinda in Punjab. The oreign exchange component of the project is Rs 53 crores nd the plant will produce ,550 tonnes of urea a day. The erection of the plant is expected to be completed in 36 months.

German Assistance for Trade Fair

The German Chambers of Commerce and Industry help businessmen from developing countries to gain a foothold n the W, German market. For four International Trade Fairs n the Federal Republic of Germany, the Chambers are setting up an information stand equipped with experts on marketing, import and export regulations, customs laws and statistics.

As many as 38 countries from the Third World received assistance from the federal cipation in trade fairs and exhibitions in West Germany. Thereby exporters of developing countries are supported in finding a market for their products in and to establish contacts with possible buyers from all over the world. In 1974, this country will receive assistance for participation in five different trade fairs to be held in Cologne, Munich and Berlin.

Technical Team for Yemen

This country may provide technical consultancy to Yemen for the establishment of caustic soda and soda ash plants there. A technical team, led by Dr N. P. Agarwalla of Engineers India Ltd, left for Yemen recently. The other members of the team are Mr A.K. Bose of DGTD and Mr G. P. Pillay of Travancore-Cochin Chemicals.

Tata Buses for Afghanistan

A fleet of 100 Tata buses will be supplied to Afghanistan, and that will mark the first transport fleet to be operated in that country. The value of the export order that TELCO has bagged is Rs 1.13 crores. This is the first big order placed by Afghanistan with an Indian manufacturer for the supply of commercial vehicles. The payment will be in US dollars.

Names in the News

Mr Murli Dhar Dalmia, Chief Advisor of Texmaco Ltd and Executive Director of Birla Mills, Delhi, has been elected the President of the North India Cotton Textile Mills Association (NICTMA) for the year 1974-75. Mr Dalmia commands about five decade's experience in industrial management and is associated with a large number of business, commercial and educational organisations including two leading newspaper publishing companies. He is a pioneer in establishing joint industrial ventures in south-east Asia.

Raja Ajit Narayan Deb, a veteran Congress leader and appointed Chairman of Oil India Limited in succession to Mr S. P. Goswami, who resigned on his election to Rajya Sabha. The board of Oil India Limited at its meeting held in New Delhi on September 6, 1974, elected Raja Ajit Narayan Deb as a member of was elected to the Assam Assembly in the first election held in 1935 and worked for the Congress. He continued as a member of the state assembly until the mid-sixties. He served as a member of the Assam Public Service Commission 1968-70.

INDUSTRIAL FINANCE CORPORATION OF INDIA

6% BONDS 1984

PAYMENT OF INTEREST AND REPAYMENT OF PRINCIPAL GUARANTEED BY THE GOVERNMENT OF INDIA

AMOUNT OF ISSUE : Rs. 10,00,00,000.
ISSUE PRICE : Rs. 99/- per cent

REDEEMABLE AT PAR ON THE 28TH SEPTEMBER 1984.

The Bonds are approved securities under the Indian Trusts Act, the Insurance Act and the Banking Regulation Act, and are also eligible for grant of advances to scheduled banks by the Reserve Bank of India. These are on the approved list of securities of the State Bank of India and are also eligible for investment of the accumulations of the provident Funds exempted as well as non-exempted.

Subscription will be received in cash/cheque or 4½% I.F.C. Bonds 1974 due for redemption on the 28th September 1974 at the Branches of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay, Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna from Saturday, the 28th September, 1974. The list will be closed without notice as soon as the total subscriptions amount to Rs. 10.00 crores, and in any case, not later than the close of business on Friday, the 4th October, 1974. The Corporation reserves the right to retain subscriptions received upto 10% in excess of the sum of Rs. 10.00 crores.

The Bonds will have a currency of 10 years, and will be repaid at par on the 28th September, 1984. These will bear interest at the rate of 6% per annum from the 28th September, 1974. Interest will be payable half-yearly on the 28th March and 28th September and will be subject to tax under the Income Tax Act 1961.

Conversion Terms

4½% IFC Bonds 1974, due for redemption on the 28th September, 1974, will be accepted at par in payment of subscription to 6% IFC Bonds 1984. If the cash value of 4½% Bonds 1974 tendered for conversion is not an exact multiple of the issue price per cent of the 6% IFC Bonds 1984, applied for, the tenderer will receive in cash at the time of issue of new Bonds the amount by which the value of the Bonds tendered exceeds the nearest lower multiple of the issue price. Interest on 4½% Bonds 1974 will be paid at the stipulated rate of 4½% p.a. upto and inclusive of 27th September, 1974 at the time of issue of the Bonds.

Copies of the prospectus and application forms can be had from the offices of the Reserve Bank of India as also from the Head Office of the Corporation at Bank of Baroda Building, 16-Parliament Street, P.B. No. 363, New Delhi-1, its Regional/Branches/other offices at (i) Mehta Mahal, 5th Floor 15-Mathew Road, Post Box No. 3928, Bombay-400004, (ii) 4-Mangoe Lane, 2nd Floor, Post Box No. 2483, Calcutta-700001, (iii) Raji Building, 3rd Floor, 147-Mount Road, Post Box No. 1080, Madras-600006, (iv) Near Lal Bungalow, Chimanlal Girdharilal Road, Ellis Bridge, Ahmedabad-6, (v) 3-6-15, Shayeedyarjung Lane, P.B. No. 1037, Himayatnagar, Hyderabad-500029, (vi) 22, Mahatma Gandhi Road, Post Box No. 5091, Bangalore-560001, (vii) Jeevan Tara Building, 1st Floor, Gate No. 3, 5-Parliament Street, Post Box No. 182, New Delhi-110001, (viii) Kaliram Medhi Road, (Ranibari Lane), Post Box No. 30, Panbazar, Gauhati-781001, (ix) 'Karuna' (2nd Floor) XXIII/1311-D, Mahatma Gandhi Rd., Ernakulam, Cochin-682011, (x) E-1/23, Arera Colony, Bhopal, (xi) Bangalow No. 216, Sector 11-A, Chandigarh-160011, (xii) 20, Forest Park, Bhubaneswar-9, (xiii) Aggarwal Building (1st Floor), Canal Crossing, The Mall, Post Box No. 319, Kanpur-4, (xiv) 43, Pataliputra Colony, Patna-13, (xv) SB 38/A Bhawani Singh Marg, Bapunagar, Jaipur, (xvi) 9, Galaxy, 353A Boat Club Road, Poona-1.

Arrangements will be made for listing of these Bonds at the Bombay, Calcutta and Madras Stock Exchanges.

Brokerag will be paid at the rate of six paise per Rs. 100/- to recognised banks and brokers on allotments made in respect of applications for the Bonds tendered by them and bearing their stamps.

C.D. Khanna
CHAIRMAN

NEW DELHI,
DATED THE SEPTEMBER, 1974.

davp 806(9)/74

Readers' Roundtable

Anomaly of Import Policy

Sir—It is reliably learnt that Hindustan Steel, as the canalising agent for imports of steel in India, has negotiated the purchase of nearly 30,000 tonnes of carbon and special grade wire rods from Japan. It is further reported that it has been able to collect release orders from Indian consumers to the extent of 20,000 tonnes only and is looking for customers for the remaining quantity.

It is a well-known fact that substantial installed capacity for this material has been installed in the country by reputed manufacturers such as the Bhilai Steel Plant, Mukand Iron and Indian Steel and Wire Products. It is also reported that these units are carrying a heavy inventory of high carbon wire rods (present combined stock estimated at 15,000 tonnes) and are facing difficulties in marketing their products.

It is understood that these manufacturers have been pressing for the banning of imports. There is one more anomaly therefore in our import policy which is framed without any relevance to indigenous production or domestic requirements as reflected by the limited surrender of release orders by actual users.

Such wheeler-dealer attitudes on the part of HSL will not only result in avoidable drain of scarce foreign exchange (nearly Rs 10.5 crores) but will also result in pushing up the prices of end-products of the engineering industry because of higher prices of imported inputs. What is more, indigenous capacity will be rendered idle or forced to switch over to lower valued products.

New Delhi

A CORRESPONDENT

Pilots' Strike

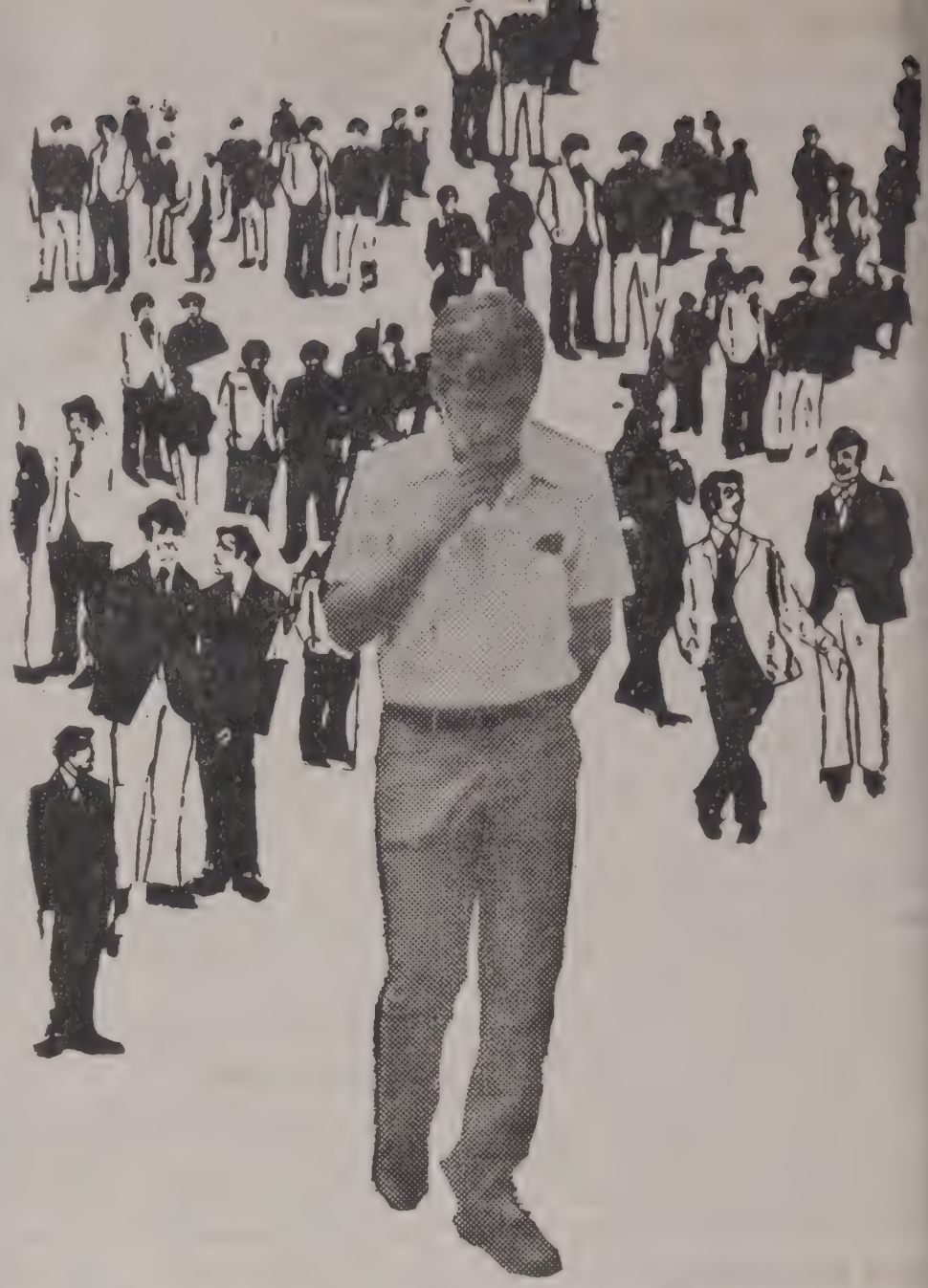
Sir—I am a regular reader of your magazine and your editorials have some depth in them. Unfortunately in your editorial "Striking It Hot" in the issue dated August 30, like most of the editors of other magazines but only a little belatedly, you have opined that the Air-India pilots' strike has to be struck down firmly as was the railway strike.

All of you people overlook that the Indian Pilots Guild is not merely a labour union but also a professional body of expert fliers—they are second to none in the world—who really have a say in the operational safety. Therefore, their rightful demand that they should be consulted when a particular pattern of operations is introduced ought to be given due consideration.

These pilots do not demand more pay or perquisites, but as the people primarily and ultimately responsible for the safe take-off and landing of aircraft, they quite genuinely demand that their views on the new pattern of operations should be given due weight and it is unfair on the part of the management as well the government to stand on false prestige or try to stain the pilots' image by misleading propaganda.

Madras

C. RAMAKRISHNAN



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COMPANY AFFAIRS

isparity in Yields

E UNION government an-unced on September 12 its ision to raise with immedi- effect the rate of dividend all new preference shares d on debentures to be issued der the authority of the pital Issues (Exemption). der, 1969. The dividend on ference shares has been sed from 9.8 per cent to 11 cent per annum. This is e of companies tax but sub- to deduction of taxes at prescribed rates. The e of interest on debentures l bonds has also been step- up with immediate effect m 8.5 per cent to 10 per t for a term up to and luding seven years and 10.5 cent for a longer period.

he upward revision in re- on preference shares and entures has brought into p focus the disparity exist- in respect of investment in ity shares on the one hand in preference shares and entures on the other. Un- the dividend ordinance no pany can distribute a divi- d of more than 12 per cent he face value of the equity es as compared to 11 per now allowed on preferen- hares. There is thus a rence of hardly one per- age point in yield and this hardly compensate for the involved in equity invest- t. With the continuous ion in share values there already been a marked in share markets in ur of fixed yielding ities and public depo- rather than in equity s. In the changed cir- tances even institutional tors such as the Unit t are realigning its in- ment policy and is going ore and more for fixed in-come securities and deploying its funds in short term money market instead of entering, as usual, the equity market in a big way. With the investor's and operators thus losing confidence in equities and developing a tendency to sell whatever is possible and shift to other forms of remunerative and safe investments, it is suggested that the government instead of scrapping restraints on equity dividends altogether should at least consider seriously either to revise upward the ceiling of 12 per cent on equity dividends or liberalise the portion of profit available for distribution.

Gwalior Rayon

Gwalior Rayon Silk Mfg. (Wvg) Co Ltd has received the approval of the government for setting up a bright bleached viscose staple fibre plant in Thailand with a capacity of 24 tonnes per day. The company's equity participation in this joint venture will be in the form of supplying of machinery and equipment. Further equipment will be supplied against deferred payment. The company will also enter into an agreement for the supply of technical services over a continued period of seven years. The work on the project will commence shortly. Besides the company has secured against keen global competition, especially from the USA and Japan, an order for plant and equipment for production of 27 tonnes per day of semi-dull viscose staple fibre from South Korea, the value of the order being seven million US dollars. The approval of the Republic of Korea as well as the Reserve Bank of India and the Industrial Development Bank of India to this export order has since been received. The manufacture of the plant and equipment is now being undertaken. Moreover the company has successfully completed the order from South India Viscose Ltd for the supply of a complete 20 tonnes per day of viscose staple fibre plant along with 60 tonnes per day of sulphuric acid plant and seven tonnes per day of carbon-bi-sulphide plant. This apart, the company continued to undertake manufacture and supply of machinery and equipment for several scores of indigenous companies engaged in the manufacture of rayon man-made fibre and chemical products. The company has also submitted an application to the government for allowing diversification of activities for the manufacture of dissolving pulp and paper plant and machinery based on company's own know. how in pursuance of the press notification which will save valuable foreign exchange for the country as also open new avenues for exports of the company's products.

Hindustan Everest

Impressive improvements in production, sales and profits have been reported by Hindustan Everest Tools Limited during the year ended March 31, 1974. Despite acute shortages, escalation in costs of almost all inputs and severe power disruptions, the company had been able to enhance production by 16.8 per cent and sales by 29.3 per cent over 1972-73. Production during the year was appreciably higher at Rs 178.9 lakhs as compared to Rs 144.6 lakhs in 1972-73, while local sales improved substantially from Rs 42.0 lakhs to Rs 71.7 lakhs. Exports during the year amounted to Rs 120.1 lakhs, an increase of Rs 13.2 lakhs over 1972-73. The company has been recognised as an export house and was also awarded a certificate of merit by the government of India for being the best exporter of

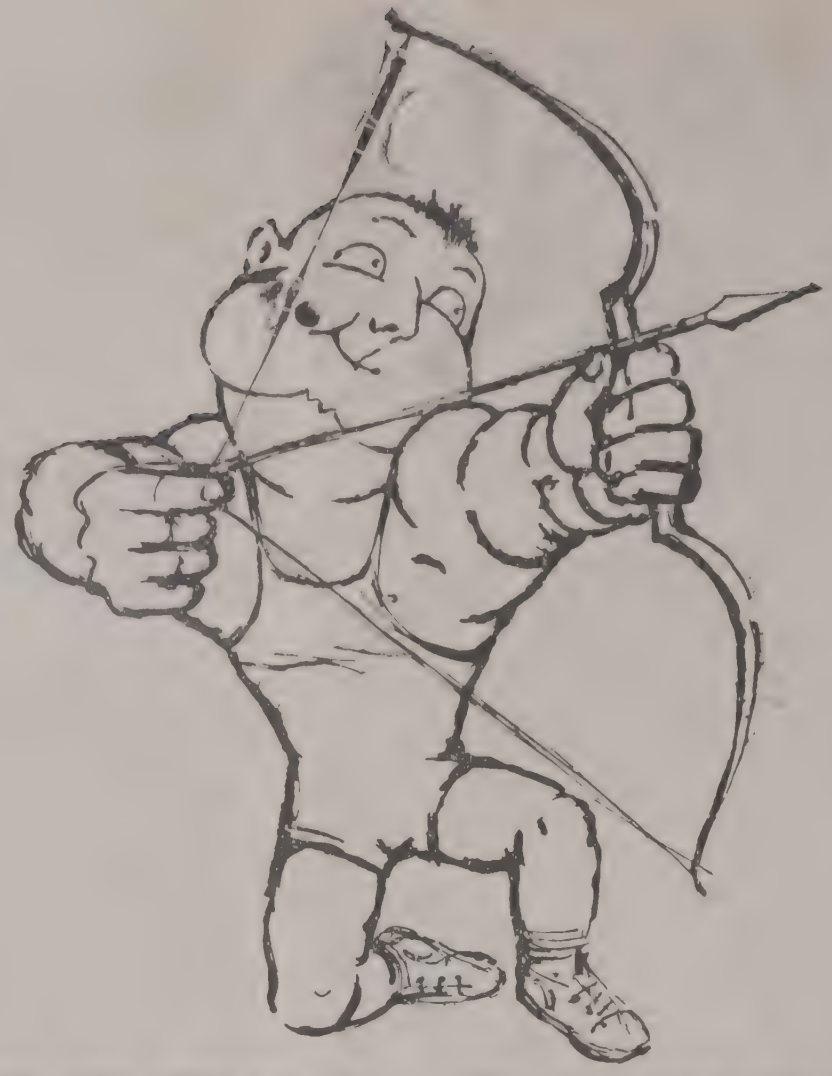


hand tools in 1971-72. The company has been allowed to expand its capacity from 1080 tons to 2400 tons per annum. But in the letter of intent received, a commitment was required to be made by the company for exporting 60 per cent of its output, including the present production. The directors therefore, do not consider it desirable to make any such commitment particularly when the company has been exporting a major percentage of its output. The company, however, is still keeping its plans of expansion active and depending on the progress made during the current year, the expansion programme will be reviewed accordingly. Steps are being taken by the company in diversifying and broadening its product range. A separate research and development cell has been set up for this purpose.

The company has earned during the year a profit of Rs 24.8 lakhs as compared to Rs 16.8 lakhs in 1972-73. After providing Rs 5.0 lakhs for depreciation, Rs 2.8 lakhs for development rebate reserve there is a net profit of Rs 16.93 lakhs as against Rs 9.97 lakhs in the earlier year. The directors have proposed an equity dividend of eight per cent for 1973-74. While recommending the dividend. the board of directors have considered it advisable to follow a cautious approach in view of the ordinance restricting payment of dividend.

Seshasayee Paper

Seshasayee Paper and Boards Limited has reported all-rouud improvement in its performance during the year ended March 31, 1974. Production of paper and board was significantly higher at 32,515 tonnes as against 32,284 tonnes in 1972-73. The vigour of power cut was severer than in the previous year—the power cut of 75 percent being in force this year for a longer period. Considered against this background the higher production achieved during the year is indeed highly gratifying. Although sales during the year was mar-



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MK33

s appreciably higher at Rs
1 crores as compared to Rs
2 crores in the preceding
ar. The profit before pro-
ing for depreciation and
elopment rebate reserve
ounted to Rs 223.74 lakhs,
increase of Rs 79.38 lakhs
er 1972-73. As there are
equate 'distributable' profits
has been decided by the
ectors to recommend pay-
nt of a final equity dividend
six per cent, which with the
erim, makes a total of 12
cent for 1973-74. Effective
ps are being taken for ex-
nding the annual capacity
m 35,000 tonnes to 50,000
nnes and an industrial licence
expected to be received from
e government shortly. Be-
les meeting the additional
quirements of raw materials
e Tamil Nadu government
s assured to make available
the company adequate sup-
of water and power for
nning the expanded plant.
ne company proposes to
nance the major cost of
pansion by borrowings from
ancial institutions. The
llance will be raised from
ternal sources.

Out of the gross profit, the
rectors have appropriated
sum of Rs 69.76 lakhs to
preciation reserve as against
s 66.14 lakhs in 1972-73
nile the allocation to deve-
pment reserve was enhanced
Rs 50 lakhs to Rs 81.00
khs. This leaves a profit of
s 72.98 lakhs as compared to
s 47.22 lakhs in the preceding
ar. After adding Rs 1.59
khs being the amount
rought forward from the last
ar's account, the sum avail-
ble for disposal comes to Rs
4.58 lakhs. The interim divi-
nd absorbed Rs 21.00 lakhs,
hile an amount of Rs 53.00
khs was transferred to the
neral reserve. The balance
Rs 57,832 has been carried
rward to the next year's
ccounts.

NELCO

The operations of the
ational Radio & Electronics
o. Ltd. during 1973-74 result-
d in a sales turnover of Rs
26.73 lakhs as compared to a
lakhs in the previous year, representing a growth of 44 per cent. Despite the stagnation in the radio industry in 1973, and the difficult supply situation arising from the shortages of various raw materials, the company registered a growth in the sales turnover of 49 per cent in the entertainment electronic products, 64 per cent in the professional and industrial electronic products and 23.8 per cent in the domestic and institutional appliances over the previous year. The company earned a profit of Rs 17.54 lakhs during 1972-73 which included a profit of Rs 18.85 lakhs on the sale of some of its assets. As against the break-even position reached out of the operations during 1972-73, the company reported an operational profit, during 1973-74, of Rs 12.37 lakhs, excluding a profit of Rs 0.54 lakh on the sale of assets, thus registering a significant improvement. Based on the company's operations in the five months of the current year, the company envisages prospects of continued growth in the sale of its products.

Dunlop India

Another major step towards setting up two automotive tyre factories, each with an annual capacity of five lakhs tyres and tubes, are taken on August 27 when the West Bengal Industrial Development Corporation (WBIDC) and the Andhra Pradesh Industrial Development Corporation (APIDC) signed detailed technical agreements in London with Dunlop Limited, England and Dunlop India Limited. The WBIDC plant will be located at Durgapur and the APIDC at Guntnr, Andhra Pradesh. Under the agreements signed in London, Dunlop England will provide know-how and technical documentation for setting up the factories. Continuing technical information will be supplied by both Dunlop England and Dunlop India for five years from the commencement of production. It is expected that the factories will be ready for production by 1977-78. There will be substantial saving in technical aid fees will be payable in rupees to Dunlop India. Dunlop's vast experience of tyre manufacture in India will be of additional help to the new tyre plants. The detailed agreements signed in London are subsequent to the preliminary agreements signed in November last. Approval of the government of India for the foreign collaboration was received in March this year.

Marshall Sons & Co

Despite unprcedented power cut of 75 per cent from the middle of February to the middle of July, 1973 and sharp escalation in costs of inputs, the working results of Marshall Sons & Company (Manufacturing) Ltd for the year ended December 31, 1973 were far better than those of 1972. While the turnover at Rs 130.70 lakhs exceeded the previous year's performance by about 30 per cent, the net operating profit after providing for depreciation nearly doubled to Rs 16.84 lakhs as compared to Rs 8.51 lakhs in 1972. Out of the net profit, the directors have allocated a sum of Rs 1.75 lakhs to development rebate reserve as compared to Rs 0.92 lakh in 1972 while a sum of Rs 9.81 lakhs was earmarked for meeting tax liabilities as against no provision in the earlier year. After adjustments, there is a disposable amount of Rs 4.77 lakhs. Out of this, the directors have allocated an amount of Rs 1.93 lakhs for payment of arrears of dividend on preference shares for the period December 22, 1967 to December 31, 1970. After adjusting Rs 1.94 lakhs towards the loss brought forward from the previous year, the entire balance of Rs 89,759.00 has been transferred to the general reserve. The directors have skipped the dividend on equity shares for 1973.

The company is making satisfactory progress in the implementation of its expansion programme. Construction work has already been started and most of the additional plant be installed by November, 1974. As against the ministry of Transport order for Rs 342 lakhs, deliveries totalling to Rs 20.59 lakhs were made during 1973 and deliveries up to June 30, 1974 amounted to Rs 50.40 lakhs. The despatches during the first half of the current year are significantly higher at Rs 59.48 lakhs as compared to Rs 51.60 lakhs during the same period of last year. However, in view of rising costs of production and shortages of raw materials, the directors have not been able to make a realistic forecast of the financial results for the current year.

News and Notes

Farel Anand Machinery Manufacturers Private Limited, proposes to manufacture rubber machinery in the country in collaboration with Farels of the UK. The British firm, besides providing technical know-how, has agreed to take up 26 per cent of the capital of the new company which is about one crore of rupees The turnover is expected to rise from Rs 50 lakhs to Rs 2.5 crores within three years. The company will be converted into a public limited company at a later date.

The *Tata Engineering and Locomotive Co Ltd* has secured, through Tata Exports Ltd, a contract from a government undertaking in Uganda for the sale of 1,060 Tata trucks and Tata buses of the aggregate value of about Rs 2 crores. Payment will be made in £ Sterling. This is the largest single export order ever secured for the supply of commercial vehicles manufactured in India. TELCO has already supplied 197 Tata vehicles to Uganda. The entire order covers 1,000 Tata trucks and 60 Tata buses and was secured against stiff competition from international manufacturers. TELCO's export earnings during 1973-74 amounted to Rs 7.29 crores.

New Issues

Gwalior Tools, which is setting up a plant at Gwalior for the manufacture of hack-

with a public issue of Rs 13 lakhs (Rs 10 lakhs in equity and Rs 3.00 lakhs in preference shares). The company is registered with DGTD for manufacturing four million pieces per annum of hack-saw blades. Since the demand has been rising, the company does not envisage any difficulty in marketing its output. Production is expected to commence by January, 1975. The capital outlay on the project is estimated at Rs 38.84 lakhs, which will be met by share capital of Rs 19.60 lakhs term loans from financial institutions

Company Meetings

Sheshasayee Paper & Boards Ltd: Registered Office, Pallipalayam, Cauvery RS, PO. Salem district. September 26; 10.00 AM.

Bharat Steel Tubes Ltd: Chelmsford Club, Raisina Road, New Delhi; September 30; 4 PM.

Hindustan Everest Tools Ltd: Registered Office, 61, Sunder Nagar, New Delhi-110003; September 30; 3.00 PM.

Dividends

Revised Dividends

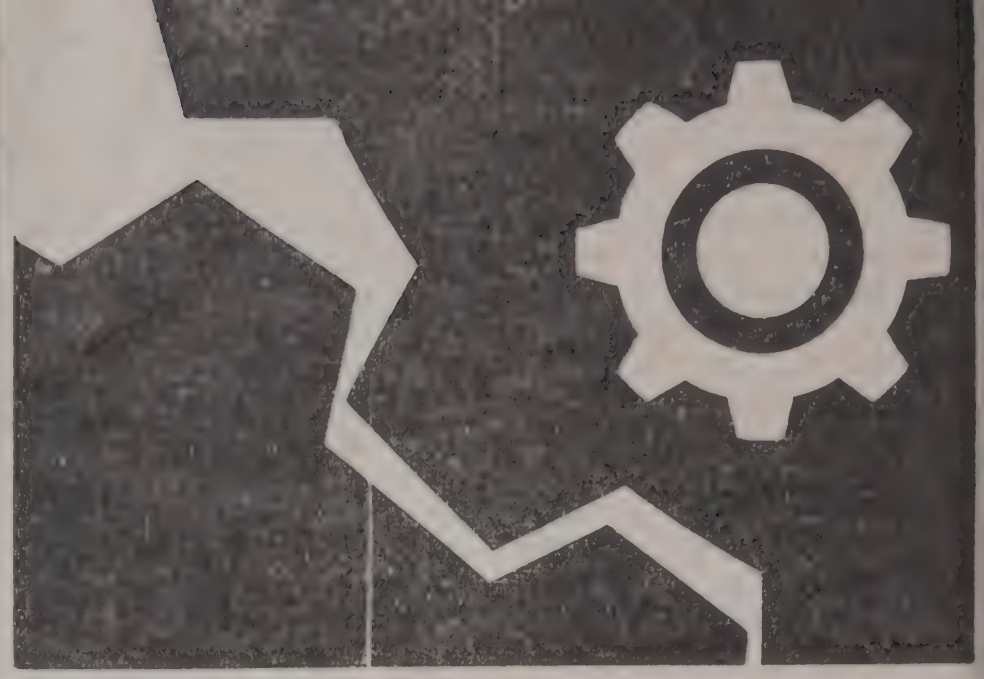
(per cent)

Name of the company	Year ended	Equity dividend declared	
		Before ordinance	After ordinance
Peermade Tea Co,	Dec. 31, 1973	7.5	nil
Amalgamated Electricity	Mar. 31, 1974	12.0	11.0
Madras Industrial Linings	Mar. 31, 1974	10.0	7.5
SRP Tools	Mar. 31, 1974	10.0	3.75
SLM Maneklal Industries	Mar. 31, 1974	12.0	7.0

Dividend Announcements

(Per cent)

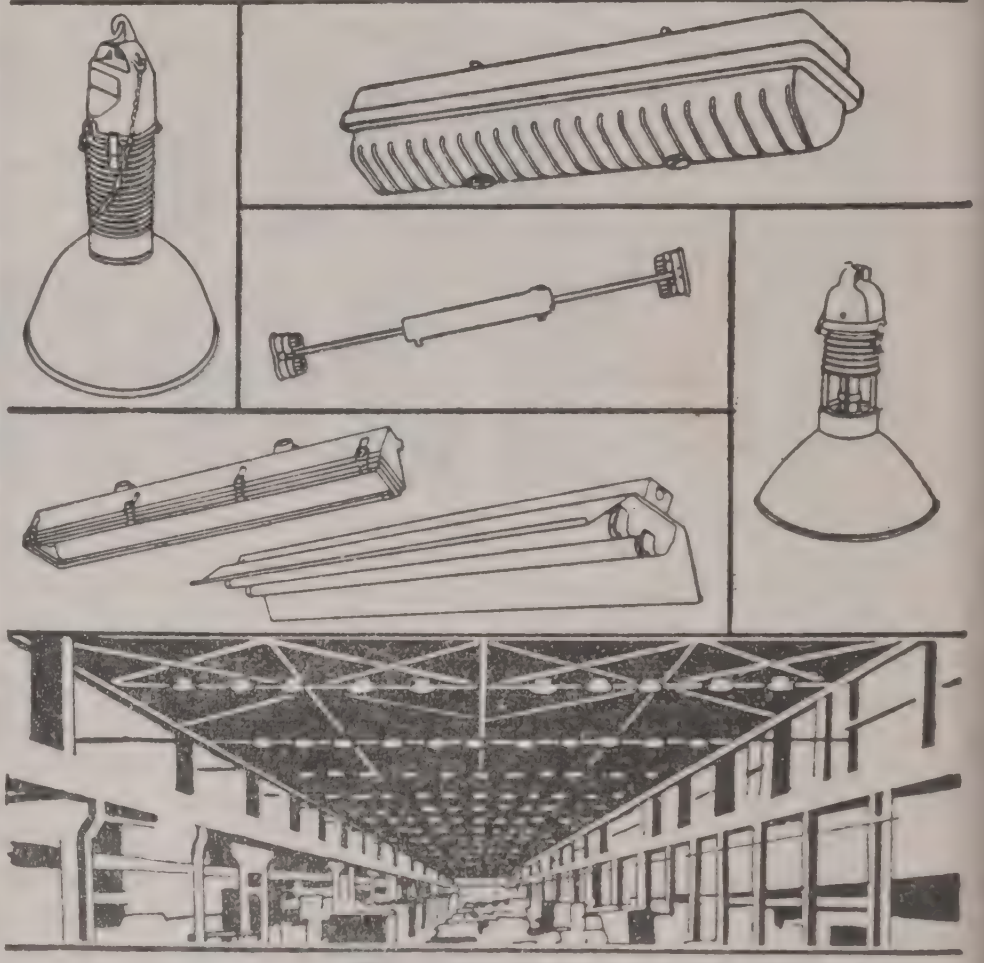
Name of the compauy	Year ended	Equity dividend declared	
		Current year	Previous year
Higher Dividend			
Sri Venkatesa Mills	Dec. 31, 1973	20.0	9.0
Phillips Carbon Black	Nov. 30, 1973	16.0	14.0
Victoria Mills	Dec. 31, 1973	21.0	18.0
Commercial Ahmedabad	Dec. 31, 1973	16.0	12.0
Sree Saraswathi Mills	Mar. 31, 1974	12.0	10.0
Same Dividend			
International Computers	Sept. 30, 1973	11.0	11.0
Phaltan Sugar Works	Sept. 30, 1973	14.0	14.0
India United Mills	Dec. 31, 1973	nil	nil
Raza Textiles	Dec. 31, 1973	nil	nil
Multimetals	Mar. 31, 1974	20.0	20.0
Utkal Machinery	Sept. 30, 1973	nil	nil
Mysore Acetate and Chemicals	Dec. 31, 1973	nil	nil
Madras Machine Tool Manufacturers	Mar. 31, 1974	nil	nil
Reduced Dividend			
Surat Electricity	Mar. 31, 1974	5.0	12.5
Dawn Mills	Mar. 31, 1974	12.0	14.0



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PHILIPS INDIA LIMITED

Foreign collaborations

RING THE quarter April-June 1974, 113 collaborations with foreign companies were approved by the government. Out of these involved technical collaboration only while 17 involved both technical and financial collaboration. The collaborating companies e from Australia, Canada, Denmark, Finland, France, Holland, Ireland, Italy, Japan, Luxembourg, Spain, Sweden, Switzerland, UK, the USA and West Germany. The names of the collaborating companies and the items of manufacture are given below:—

Name of the Indian Company	Name of the Foreign Collaborator	Item of manufacture
	India-Australia	
M/s. Kahsmir Electronics (P) Ltd., C/o The Kashmir Metal Mart, Hari Singh High Street, Srinagar (Kashmir).	M/s. McMURDO (Australia) Pvt. Ltd., 7-21, Carinish, Clayton, Victoria 3160, Australia.	Connectors.
	India-Canada	
M/s. Indian Aluminium Co. Ltd., 1, Middleton Street, Calcutta-16.	M/s. Alcon Research & Development Ltd., Montreal, Canada.	Prebaked Carbon Blocks.
	India-Denmark	
M/s Larsen & Toubro Ltd, L&T House, Dougall Road, Ballard Estate, Bombay	M/s Niro Atomizer Ltd, 305, Gladsaxe Vej, DK 2860, Soeborg, Denmark	Suspended Particles Drying Plants
	India-Finland	
M/s Giovanola-Binny Ltd, Penstock Factory Road, Palluruthy, Cochin-6, Kerala	M/s Ahlstrom Oy, Helsinki, Finland	Pulp & Paper making machinery
	India-France	
Mr B.S. Shaney, 71, Chitrakoot, Altamount Road, Bombay-26.	M/s Carter of France	Flasher Units (Auto Electricals)
Mr B.S. Shaney, C/o Shaney Sev-Marchal (P) Ltd., 71, Chibako Altamount Road, Bombay-26.	M/s Sev-Marchal S.A. 26, Rue Guyanemer, 92, Issy-des-Moulinaux (France).	Wiper Motors and Distributors (Auto-Electricals).
M/s Tata-Merlin & Gern Ltd., 84, Veer Nariman Road, Bombay-400020	M/s ETS Merlin-Gerin S.A., Cedex 83,38, Grenoble Gare, France.	Air Blast Circuit Breakers.
M/s Jagran Micro Motors, 2-Sarvodayanagar, Kanpur (UP).	M/s Thomson Brandt, France.	Micromotors.
M/s Vijay Tanks & Vessels Pvt. Ltd, Homji Street, Bombay-400001.	M/s Air Industries, 19-21, Avenue, Dubonnet, 92, Courbevale, France.	Paper and Pulp Machinery.
M/s Voltas Ltd, 19, Graham Road, Ballard Estate, P. B. No. 1198, Bombay-1. (Composite Case).	M/s Societe Das Usines Chemiquesss, RHONEPOUIENC, Paris (France).	Phesalone Technical and its Formulations.
M/s Bharat Coking Coal Ltd, P.O. Sijua, Dhanbad.	M/s Sorfemines, France	Consultancy Services for Amlabad Mine.
	India-Holland	
M/s Associated Textile Engineers, Prope: A.T.S. (P) Ltd., 43, Forbes Street, Fort, Bombay-1.	M/s Stork Boxmeer, N.V. Boxmeer, Holland.	Automatic Rotary Screen Printing Machines. (Textile Machinery).
	India-Ireland	
M/s International Chemical Industries India, E/19, Area Colony, Bhopal, MP	M/s Reducine Co. Ltd, Ireland.	Reducine Absorbent & Reducine Salve.
	India-Italy	
M/s Satellite Engineering Ltd, P.O. Maize Products, Kathwada, Ahmedabad-2.	M/s Fabbrica Segment Caber, s.r. 1, Via Caprera No. 133, Torino, Italy.	Piston Rings.

"F"—Indicates cases involving financial participation also.

Sl No	Name of the Indian Company	Name of the Foreign Collaborator	Item of manufacture
15. (F)	M/s Greaves Cotton and Co. Ltd., 1, Forbes Street,, P.B. No. 91, Bombay	M/s Lombardini Fabrica Italiana Motoria, S.P.A ,	Diesel Engines. Raggio Emilnia, Italy.
16.	M/s Texmaco Limited, P.O. Belgharia, Calcutta, 56.	M/s Adriano Gardella S.P.a., Genoa, Italy.	High Speed Cop Winding Machines.
17.	M/s Indian Oxygen Limited, P. 34, Taratala Road, Calcutta-700053.	M/s Saccab S.P.A., Trezzano Sul Navig-lio Via V Carpaccio, 33 CAP 20090, Milano, Italy.	Oxygen Tents.
		India-Japan	
18.	M/s Baroda Rayon Corporation Ltd., 130/132, Apollo Street, Fort, Bom-bay-1.	M/s Unitika Limited, 4-68, Kitakyutaro-Machi Higashi-Ku, Osaka-Japan.	Nylon Tyre Cord.
19. (F)	M/s M. Parthasarthy & C.P. Ranga-char, 30, Sir Krishna Rao Road, Basavangudi, Bangalore-4.	Yuken Kogyo Co. Ltd, Daini Mas-sukei Building, 4-8, Shiba-Daimon 1-Chome, Minato-Ka, Tokyo, Japan.	Hydraulic Equipment.
20.	M/s James Warren & Co. (I) Ltd, 31, Chowringhee Road, Calcutta-16.	(i) M/s Mitsubishi Corp. Japan and (ii) M/s Ibigawa Electric Industry Co. Ltd, Tokyo, Japan.	Acetylene Black.
21.	M/s Orissa Tile Ltd., P.O. Barang, Distt. Cuttack, (Orissa).	M/s Donto Co. Ltd., 9-Chome, Awagan-ka-Dori Ikshkhum, Osaka, Japan.	Glazed Wall Tiles.
22.	M/s Dommidala Brothers (P) Ltd, P.B. No 100, Guntur (Andhra Pradesh).	M/s Ishiguro Pharmaceutical Co., Japan.	Nicotine Sulphate.
23.	M/s K. Chinai Industries, Sir P.M. Road, Bombay-400001.	M/s Daikin Manufacturing Co. Ltd, 250-1-Chome, Kiaswchomiya Nyagawa, Osaka-Japan.	Clutch Plates and Clutch Assemblies.
24.	Major V.S.R. Swamy, C/o M/s Flash Enterprises, 72-B, Miller Road, Bangalore-560052.	M/s Fuji Variable Condensers Co. Ltd, 2-6-3 Shome, Nishifuna, Funabashi City, Chibapref, Japan.	PVC Gang Condensers.
25.	M/s Diamond Die Manufacturing Cor-poration, 195, Sankey Road, Upper Palace Orchard, Bangalore-560006.	M/s Furukawa Electric Company Ltd, 6-1, Marunouchi 2 Chome Chiyoda-Kum, Tokyo, Japan.	Wire Drawing Diamond Dies.
26.	M/s Printpak Machinery Ltd., 13/14 Asaf Ali Road, New Delhi.	M/s Nishimura Manufacturing, Kyoto, Japan.	Slitter Rewinders in the size range of 1.6 meter to 3.1 meter.
27.	M/s Continental Electronics Industries Ltd., 21-A, Himalaya House, Kasturba Gandhi Marg, New Delhi-1.	M/s Daiichi Trading Co. Ltd., No-1-12-24, Higashinakano, Nakanoku, Tokyo-164, Japan.	Relays and Connectors.
28.	M/s British Physical Laboratories India (P) Ltd , Mahatma Gandhi Road, Bangalore.	M/s Nihon Kohden Kogyo Co., Ltd., 31-4, Nishiochiai, Tokyo, Japan.	Internal Pace Makers.
29.	The Kerala Ceramics Ltd., Kundra P.O., Kerala State.	M/s Sumitomo Shoji Kaisha Ltd., 2-2 Hitoteuhashi 1-Chome, Chiyoda, Tokyo, Japan.	Chinaware Pottery.
30.	M/s Sudarshan Chemical Industries Pvt. Ltd., Sangan Bridge, 162, Wel-lesley Road, Poona-410001. (Composite Case).	M/s Sanyo Colona-Works Ltd., Byoka Building, 6, Muromachi, Ninonbeshi, Chom-Ku, Tokyo, Japan.	Pearl Essences.
31.	M/s MRA Industries, 2, Seagull, 13, Carmichael Road, Bombay-400026, (EPZ Case).	M/s Nephews International Inc., P.O. /Box 216, Yokohama, Japan.	Carbon resistors, potentio-meters, and electronic desk calculators.
		India-Luxembourg	
32.	M/s Andhra Steel Corpn. Ltd., P-38, India Exchange Palace, Calcutta-1.	M/s Tor-Isteg Steel Corporation, 19, Rue Aldringer, Luxembourg.	Torsteel.
		India-Spain	
33.	M/s Jaya Hind Industries (P) Ltd., Bombay-Poona Road, Akurdi, Poona-35.	M/s Fabrica Espanola Magnetos SA, Hnos. Garoia Nobeljas-19 Madrid-17.	Electronic Magnets.

F—Indicates cases involving financial participation also.

I. No.	Name of the Indian Company	Name of the Foreign Collaborator	Item of Manufacture
		India-Sweden	
34.	M/s Tamil Nadu Industrial Dev., Corporation Limited, 150-A, Mount Road, Madras-2.	M/s C.E. Johansson, P.O. Box No. 365, S. 63105 Eskilstuna-1, Sweden.	Precision Measuring Tools.
35.	M/s Tamil Nadu Industrial Dev., Corporation Ltd., 150-A, Annasalia, Post Bag No. 5205, Madras-600002.	M/s John Nordstrom Verktygsmakiner, Stockholm, Sweden.	Vernier Callipers.
		India-Switzerland	
36. (F)	M/s Lakshmi Loom Works Ltd., c/o Lakshmi Machine Works Ltd., S.R.K Vidyalaya Post, Coimbatore-20.	M/s Ruti Machinery Works Ltd., Ruti-(Zurich), Switezerland.	'C' Type Automatic Looms.
37. (F)	Mr G.K. Devarajulu, "Shell House", Avanashi Road, Coimbatore-19.	M/s Bracker S.A. 8330, P-faffikon-Zurich Switzerland.	"Record" Ring Travellers.
38.	M/s Mysore Structurals Limited, 12, Palace Road, Bangalore.	M/s Proceq, S-A2, Riesbachstrasse 57, 57,8034, Zurich, Switzerland.	Prestressed Concrete Machinery and Equipments.
39.	Mr H.G. Bangera, C/o M/s Jaya Prakash Bros., 629-A, Girgaum Road, Bombay-20.	M/s Roamer Watch Co., S.A., CH-4800 Solechurn, Switzerland.	Wrist Watches.
40.	M/s Kunal Engineering Co Ltd., 20 Nungambakkam High Road, Madras-600034.	M/s Spindel Motoren High Und Maschinenfabrik A.G., Ch-86 10 Uster, Switzerland.	High Speed Roller Bearing Inserts.
41.	M/s Lakshmi Machine Works Ltd., Perianaickenpalayam, Coimbatore.	M/s Rieter Machine Works Ltd., Winterthur, Switzerland..	High Production Card 'Cristallina' Model C 1/2.
42.	M/s DHJ Interlinings (India) Pvt. Ltd, B-171, East of Kailash, New Delhi-24.	M/s DHJ Industries, AG Zuly, Switzerland.	Interlining and fusible lining of garment industry.
43.	M/s Peass Industrial Engineers, Pvt. Ltd, Maneklal Road, Navsari. (Gujarat).	M/s Jakob Jaoggle & CIE, Winterthur, Switzerland.	Yarn Merce Rising Machines.
44.	M/s Modi Spg. and Wvg. Mills Co. Ltd., Modinagar (UP),	M/s Arova Rosschach Abi Switzerland	Synthetic Thread
45.	M/s Gansons Private Limited, 207. Kakad Chambers, Dr. Annie Besant Road, Worli, Bombay.	M/s Aeromatic A.G., Mutteriz/Scheweig. Farnsburgerstrasse 6 Bankverein, Basel, Switzerland.	Fluidised Bed Granulators/Dryer.
46. (F)	M/s Senapathy Whiteley (P) Ltd., 14-Netaji Road, Bangalore-460025.	M/s Swiss Insulating Works Ltd., Switzerland.	Reconstructed and Integrated Mica Products.
		India-UK	
47.	The Commissioner, Town and Country Planning Department, Government of West Bengal, Calcutta.	M/s Freeman Fox & Partner (FFP) 25, Victoria Street, London-SW-1 (UK).	Consultancy Services for 2nd Hooghly Crossing Project.
48.	M/s Pennwalt India Ltd., Signal Hill Avenue, Tank Road, Bombay-400033	M/s Pennwalt Ltd., Doman Road, Gamberley, Surrey, UK	Solid Bowl Centrifuges.
49. (F)	M/s Usha Die Castings Pvt. Ltd., No. 32, Greater Kailash, New Delhi.	M/s Josiah Parkes & Sons Ltd., Stafford, UK.	Mortise Locks and Knob Sets.
50.	M/s Peddington Chemical Industries (India), Sprott Road, Ballard Estate, Bombay-1.	M/s Parexite (London) Ltd., 602/4, Victoria House, Southampton Row, London, W.C. 1.	Wire Lubricants and Coating Compounds
51.	M/s Punjab State Industrial Dev., Corporation Ltd., Sector 17-A., Chandigarh.	M/s P.E. Consulting Group Ltd., 14-20, Headfort Place, London.	Precision Measuring Instruments.
52.	M/s Inductron (India). 8, Candy House, Mandlik Road, Colaba, Bombay-400039.	M/s Inductron Ltd., Wade Road, Kingsland-Basingstoke, Hampshire RG 24 OPN, England.	High Frequency Welding Equipments.
53.	M/s Belliss & Morcom (India) Ltd., 6, Little Russell Street, Calcutta-16.	M/s Belliss & Morcom, UK.	Steam Turbines & Spares.
54.	M/s Fenner, Cockill Ltd., Post Box No. 117, Madurai-1, Tamilnadu.	M/s J.K. Fenner and Co., Ltd., Hull,England.	Fenaplast Supergrade Conveyor Belting.

—Indicates cases involving financial participation also.

Sl. No.	Name of the Indian Company	Name of the Foreign Collaborator	Item of Manufacture
55.	M/s Vibronics Pvt. Limited, 4, Kurla Industrial Estate, Ghatkopar, Bombay-400086.	M/s Kerry Ultrasonics Ltd., UK.	Ultrasonic Equipment.
56.	Mr K.C. Sethi, C/o Chemicals (I), 20-A Camac Street, Calcutta.	M/s Coates Brothers and Company Limited, 1-7 Gaston Street, London, WC IX, ODP, England.	Polyamide Resins.
57. (F)	M/s Heinemann Educational Books (India), ABO, First Floor Safdarjang Development Area, New Delhi-16.	M/s Heinemann Educational Books Ltd., London and (ii) M/s Arnold (Publishers) Ltd., London.	Printing, publication and distribution of books in India.
58.	M/s Bestobell (India) Ltd., 21, Camac Street, Calcutta-16.	M/s Kent Instruments Ltd., Luton. Bedfordshire.	Pneumatic Servo Operated Recorders etc.
59.	M/s Gujarat State Fertiliser Co., Ltd., P.O. Fertiliser Nagar, Distt. Baroda, (Gujarat).	(i) M/s Badger Inc., USA and M/s Cosden Oil & Chem Co. USA and Mos. Badger Ltd., UK.	Styrend-Polystyrene.
60.	M/s Atherton Glass Works (P) Ltd., 47, Thiruneermalai Road, Madras-44.	M/s Ponelectro Ltd., 35, Progress Road, England.	Import of Furnace Designs and Drawings
61.	M/s National Machinery Manufacturers Ltd., 81-83, Veer Nariman Road, Bombay-400020.	M/s Platt International Ltd., Rossendale, England.	Combers.
62.	Mr Prakash D. Dahanukar, Industrial Assurance Building, Churchgate, Bombay-20.	M/s McKERNAN Scientific Services Bell House, Bell Yard, London WC 2A 2 LX.	Ossein and Di-Calcium Phosphate.
		India-USA	
63.	M/s Bridge & Roof Co. (I) Ltd., 427/ I.G.T. Road, Howrah.	M/s Pittsburg-es Moines Steel Co., Neville Island, Pittsburg, Pennsylvania 15225 USA.	Floating Roof Tanks.
64.	M/s Universal Tyres Ltd., 21, Malavia Road, Allahabad-2 (UP)	M/s General Tire International Co., Akron, Ohio, USA.	Automobile Tyres and Tubes.
65.	M/s Anup Engineering Ltd., Anil Road, Post Box No. 1164, Ahmedabad-2.	M/s Process Engineering INC., USA.	Expansion Joints and Expansion Bellows.
66. (F)	Mr Shyam B. Ghia, Industrial Assurance Building, Churchgate, Bombay-400020.	M/s Bristol Yachts Co. Inc., Rhode Island, USA.	Luxury Diesel Trawler Yachts.
67.	M/s J.C. Glass Industries Pvt. Ltd., Pimpri, Poona-18.	M/s Maul Brothers Inc., Millville, New Jersey, USA.	Glass Moulds.
68. (F)	M/s International Tractor Co. of India Ltd., Gateway Bldg., Apollo Street, Bombay-1.	M/s International Harvester Co., 401 North Michigam Avenue, Chicago, Illinois—60611, USA.	454 and 574 Tractors.
69.	M/s Poddar Estates Ltd., 31, Dalhousie Square(s), Calcutta-1.	M/s Philip Morris INC, 100 Park Avenue, New York, USA.	Safety Razor Blades.
70	M/s Khatau Junker Limited, 6, Ballard Road, Bombay-1.	M/s General Electric Co. 159, Madison Avenue, New York, USA.	Power Factor Connection Capacitors.
71.	M/s Victor Gaskets India Limited, 20, MIDC Industrial Estate, Satpur, Nasik.	M/s Dana Corpn., P.O. Box No. 906 Toledo, Ohio 43601, USA.	Piston Rings.
72.	M/s Platwell Processes and Chemicals Ltd., 507, Kakad Chamber, Dr. A.B. Road, Worli, Bombay-400018.	M/s Service Filtration Corporation, Harlem Avenue, Chicago, USA.	Sealless Leak-proof Magnetic Pumps.
73.	M/s The Indian Tool Manufacturers Limited, 101, Sion Road, Sion, Bombay-22.	M/s Li Tungsten Corporation, New York, USA.	Tungsten Carbide Powers.
74.	Mr Abhay K. Jain, 3061, 8. Robertson Blvd., Apt. 15, Los Angeles, California 90034, USA.	M/s Flair Electronics Inc., California, USA.	Reed Switches.

F—Indicates cases involving financial participation also.

Sl. No.	Name of the Indian Company	Name of the Foreign Collaborator	Item of Manufacture
75.	M/s Manmohan Fulchand Tamboli, Steelcast Bhavnagar Pvt. Ltd., Ruvagari Road, Bhavanagar Gujarat.	M/s Arwood Corpn., 2, Rockleigh Industrial Park, Rockleigh, N.J. 07647, USA.	Investment Castings.
76.	M/s Central Cereal Chemicals Pvt. Ltd., 16-Dharamayuga Colony, Kankaria, Ahmedabad.	Dr. William A. Scholle, Chemical Engineer, H3, Francis Court, St. Louis, Missouri, USA.	Furfural.
77.	Mr Chander Mohan Singh, C/o M/s Pioneer Sport's Works Private Limited, Nakodar Road, Jullundur City, (Punjab).	M/s Spalding Division of Questor Corporation, 1801 Spielbusch Ave., Toledo, Ohio, 43694, USA.	Tennis, Squash and Badminton Rackets.
78.	M/s Digital Electronics Pvt. Limited, 202, Owners Industrial Estate, Pitamber Lane, Mahim, Bombay-16.	M/s Houston Instrument Division of Bausch and Lomb Inc., 635 St. Paul Street, Rochester, New York, USA.	Strip Chart Recorders and X-Y Recorders.
79.	M/s Cosmosteels Pvt. Ltd., Netaji Subhash Road, Calcutta.	M/s American Safety Razor Blade Co. Inc., USA.	Safety Razor Blades.
80.	M/s Black Gold (P) Ltd., 177, Nagavar Palyam, Bangalore-560016.	M/s Westvaco Corpn., 299 Park Avenue, New York.	Activated Carbons.
81.	Mr Gautam Shah, C/o Vakil-Mehta-Parikh-Sheth, Khamasa Gate, Ahmedabad-1.	M/s Magnetics Inc., Division of Spang Industries, Butler, PA. USA.	Power Control Unit, Regulated Power Supply and Control Amplifiers.
82.	M/s Premier Paper Mills Ltd., Vaswani Mansion, 120, Dinshaw Vachha Road, Bombay-400020.	M/s Knowlton Bros., New York, USA.	Filter Paper.
83.	Mr Jaswant Worah. C/o M/s Nippon Worah Springs Ltd., Post Box No. 45. Jharia.	M/s Torin Corpn., Kennedy Drive Tonnington, Connecticut, USA.	Metallic Industrial Springs.
84.	M/s Electronics Limited, 26, N.I.T. Faridabad, Haryana.	M/s Bendix International Corpn., 1638, A. Broadway, New York, USA.	Air Guages Mechanical Comparators etc.
85. (F)	Mr R.K. Gupta, 46-A Friends Colony, New Delhi.	M/s Harbour Industries Inc., P.O. 188, Shelbourne, USA.	High Temperature Wires & Cables.
86.	M/s O.E.N. Limited, 19/88-B, Kaloor Road, Cochin 682018, Kerala.	M/s Techno Components Corporation, Crystal Lake, Illinois, USA.	Miniature Wire Wound Frimming Potentiometer.
87.	Mr Suresh S. Mahajan, 35, Navrang, Peddar Road, Bombay-26. (EPZ Case).	M/s Halex Inc., California, USA.	Thin Film Hybrid Microcircuits.
88.	M/s Usha Die Castings Pvt Ltd., S-39, Greater Kailash-1, New Delhi.	M/s FERRODYNE Corpn., P.O. Box 3185, 21200 Street Clair Avenue, Cleveland, Ohio, 444117, USA.	Ferrous Die Castings.
89. (F)	Mr Harish C. Sarin, No. 2 Hawthorne Place, Apartment 16R, Charles River Part, Boston, Massachusetts 02114, USA.	M/s Durametallic Corpn., 2104 Factory Street, Kalamazoo, 4900, USA.	Mechanical Seals.
		India-West Germany	
90.	M/s Asian Paints (India) Pvt. Ltd., Nariman Point, Bombay-1 BR.	M/s Chemicals Werke Hules, A.G. 470 Marl, West Germany.	Vinyl Pyridine Latex.
91.	Mr Kaippully Krishnan Ramdas, 49, Grammer Road, Forest Gate, London-E-7 (UK).	M/s Otto Mandebach Solingen-Wald, Diltgenstaler Strassee-11, West Germany.	Saftey Razor Blades.
92.	M/s The Mysore Electro-Chemicals Works Limited, Yeshwantpur, Bangalore-560022 (Karnataka-State).	M/s Accumulatorenfabrik Sonnenscheinen, D-6470, Buedingen (Hessen), Tiergarten, West Germany.	Automotive Stationary Traction and Train Lighting Cells.
93.	M/s Mysore Electro-Chemical Works Ltd., Yeshwant Pur, Bangalore-560022.	M/s Accumulatorenfabrik Sonnenscheinen. GmbH, D-6470, Buedingen (Hessen) Tiergarten, West Germany.	Dryfit Batteries Photoflash Batteries.
94.	Mr Shantilal Mohanlal Shah, C/o M/s S. Mohanlal Services, Ashram Road, Ahmedabad-9.	M/s Drei-S Werk, Harbert J. Schmauser KG, 8540, Schwabach, Bayern, West Germany.	Textile Combing Needles.

F—Indicates cases involving financial participation also.

Sl. No.	Name of the Indian Company	Name of the Foreign Collaborator	Item of Manufacture
95.	M/s Kiran X-Ray Screens (P) Ltd., 1, Ratilal Thakkar Marg, Malabar Hill, Bombay-400006.	M/s W. Mainer K.G., 722, Schwenninghen Am Neckar, Dauchinger Strasse 9, West Germany.	X-Ray high intensifying screen.
96.	M/s Dhawan Motor Company, Latouche Road, Kanpur (UP).	M/s Alean Aluminiumwerke, GmbH, 8500 Nurnberg, Nopitachstrasse 67, West Germany.	Pistons and Piston Pins.
97.	M/s Types Company India, 80, Harris Road, Madras-2.	M/s Alfred Ransmayer ,Albert Rodrian D-1000, Berlin 42 (Tempelhof) West Germany.	Steel Types for Type-Writers etc.
98.	M/s Dhawan Motor Company, Latoche Road, Kanpur (UP).	M/s Teves-Thompson GmbH, 3013, Barsinghausen Hannover, West Germany.	Piston Rings.
99.	M/s Sarabhai Machinery, P.O. Ranoli, (Distt. Baroda).	M/s Krebskosmo, Zelitnger Plataz 16, 1 Berlin 28 (West Germany).	Mercury Cells.
100.**	M/s Needle Roller Bearing Co., Limited, B-16, Road, No. 2., Industrial Area (Waglewadi) Thana (Maharashtra).	M/s Robert Kling Wetzlar GmbH, West Germany and M/s Nadella of France.	Needle Roller Cages.
101. (F)	M/s Applied Electronics (P) Limited, A-5, Wagle Industrial Estate, Thana-400604, Maharashtra.	M/s HAMEG K. HARTMANN K.G. KELSTERBACHER STRASSE 15-17 Frankfurt Am Main, West Germany.	Solid State Oscilloscope.
102.	M/s Laxminarain Bishambhar Nath, 7/140-Swarup Nagar, B.N. Khanna Road, Kanpur-2.	M/s Scheill & Seilacher, West Germany	Textile Auxiliaries.
103.	M/s Power Build Pvt. Ltd., Anand Sojitra Road, Vallabh Vidyanagar 388120, (Gujarat).	Dr. Hans Boekels & Company, D-51 AACHEN, Postfach 847, AM Gut Wolf II, West Germany.	Electromagnetic, Electronic Belt Weighers etc.
104.	Mr S.P. Sinha, Edward House, Arrah (Bihar).	M/s Carl Schenck Maschinen Fabrik GmbH, 61, Dermstadt, West Germany.	Weigh Feeders and Weighing Devices for Railway Wagons.
105.	M/s Associated Bearing Co. Ltd., Mahatma Gandhi Memorial Bldg., Netaji Subhas Road, Bombay-2.	M/s S.K.F. Kugellagerfabriken GmbH, Schweinfurt, West Germany.	Textile Machinery Components.
106.	Mr Sivaramkrishanan, Jt. Promoter, Ronald Steel & Rubber Industries. 5, New Market, Bhopal (MP).	M/s Conrad Schaltz, BTR-GmbH, Hamburg, West Germany.	Steel Cord Rubber Conveyor Belting.
107.	M/s Ratilal Rambhai Patel, 914, Khadia Goluiad, Ahmedabad. (Composite Case).	M/s Chemische Fabrik Gruenau, GmbH (CEG), West Germany.	Guar Gum Based Products.
108.	M/s Hein Lehmann (India Ltd., 16, Hare Street, Calcutta-1.	M/s Gewerkshaft Eisenhutte Westfalia, 4628, Altlumen, West Germany.	Chain Conveyors.
109.	M/s Maheshwari Enterprises, B-114, Sarvodaya Enclave, New Delhi-17.	M/s Durener Metalltuch Schoeller, Hosch & Co. 516, Duren, Postfach 447, West Germany.	Sieve Bands.
110.	Mr H.P. Roy, C-6/59A Safdarjang Dev. Area, New Delhi-110016.	M/s Glyco-Metall-Werke, Daelen & Loos, GmbH, 62, Wiesbaden, Schierafein, West Germany.	Thin Walled Bearings.
111.	Mr C.S. Vedi, B-14, Maharani Bagh, New Delhi-110014.	(i) M/s Jean Walter-Scheid KG, West Germany (ii) M/s Durkoppewerke, GmbH, West Germany.	Flywheel Ring Gears & Bearings for Water Pumps.
112.	M/s Kerala State Industrial Development Corpn., Ltd., P.B. No. 105, Vellayambalam, Trivandrum-1.	M/s Conrad Scholtz Aktiengeselschaft, 2000 Hamburg 70, AM Standard 55/59, West Germany.	Conveyor Belting Steel Cord Rubber Conveyor Belting.
113.	M/s Kerala Acids & Chemicals Ltd., Makkapuzha P.O. Kerala State.	M/s Karl Fischer Apparate-U, ROHR-LEITUNGASBAU, Berlin 27 (Borsigwalde) West Germany.	Formic acid.

**Joint collaboration with West Germany and France.
F—Indicates cases involving financial participation also.

ABSTRACT

1. Approvals involving financial participation also	17
2. Technical Collaborations	96
Total	113

eyond MISA

IT IS POSSIBLE that the prime minister expects to receive the plaudits of the populace for nding by an ordinance the applicability of the Maintenance of Internal Security to the offence of smuggling and to smugglers. In any case she went on the air to orate the occasion as if it were a famous victory. It is of course right and pro- hat organized largescale smuggling, which has become a truly big business, should t down with a heavy hand. The question is why the ordinary laws of the land or normal administrative resources of the customs staff and the police force had not or could not be effectively employed to control the racket whether before it had ned its monstrous proportions or since. The answer of course is one which does redit to the central government.

The regular laws of the country and the normal machinery of the law courts fail- r, rather did not ever have the opportunity, to check smuggling because of organised uption in the enforcement and investigative agencies and political patronage arising graft among politicians and political parties. Against this background New i's resort to the MISA in this case is less an act of firm government than a confession s part that it has despaired of the administration functioning in a clean and res- ible manner in the ordinary course. At the present time there is undoubtedly re- ng in the land that the government is at last trying to catch up with the racket of nized smuggling and already there are demands that the MISA should also be app- to other socio-economic or anti-social offences such as tax evasion, hoarding and k marketing. The danger in the situation is that the public may easily let itself be erted to the ruinous notion that the authority of the ordinary laws of the land e normal jurisdiction of the law courts should be progressively displaced by what ssentially the executive powers of the government exercised in a manner which must ssarily be *ad hoc* and arbitrary. Surely, any such trend in the thinking of the nation be encouraged only at peril to our democracy and its institutions.

Quite clearly it is the responsibility primarily of the government to see that public is restored in the ordinary laws of the land as enforced by the law enforcement cies and the law courts before a point of no return is reached. This would mean the government should not fall into the habit of using the MISA or other special or ordinary legislation as a means of opting out of its fundamental responsibility to out corruption in the services or graft from politics and public life. Simultaneous- should become a regular practice of the government to exercise its normal execu- powers or enforce the ordinary laws of the land regularly and relentlessly against e who may be indulging in tax evasion, hoarding or black marketing. Right now at number of raids are being carried out by income tax authorities in various parts e country. Raids are also being undertaken to detect violations of various commo- control laws or regulations. There can be no questioning the need for this police on in the present economic circumstances of the country; only, this essential sur- must be efficiently performed and completed as early as possible so that business rity is not unduly disrupted. While the authorities should no doubt continue to be ant as a matter of course, the greater part of large-scale police action as such ld not be allowed to drag on for months on end.

It could be inferred perhaps that the government's decision to resort to extensive ce action to deal with the problem of black money is a natural corollary to its hav- ruled out direct interference with the money stock with the public through such ns as demonetization of higher value notes or writing down the value of the cur- y or bank deposits held by the public. There can be no doubt at all that the go- ment has chosen the course of wisdom in resisting suggestions that inflation should dealt with by a sudden sweeping cut in money stock, both currency and bank osits. In its latest annual report the central board of directors of the Reserve k of India has strengthened and amplified the arguments against such a scheme

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in a convicing manner, and it is worth noting that even an out-and-out monetarist, such as Mr Milton Friedman, has not advocated a cut in money stock but has only been pleading for the holding down of the growth of money supply, partly through higher interest rates, but primarily by reducing government spending. The Reserve Bank report has also come out strongly in favour of curbing the growth of money supply in the present inflationary context and the government of India itself has recently initiated a strong programme for this purpose.

It is however high time that the prime minister and her advisers had diverted some of their attention to other useful anti-inflationary activities, apart from dramatizing the monetary assault on inflation or sensationalizing the holy crusade against 'smuggler kings.' As the Reserve Bank's annual report has pointed out in a refreshingly candid and courageous manner, the government's own many sins of omission and commission in such areas as foodgrain procurement and distribution, promotion or even maintenance of industrial growth, or deflating the levels of unproductive or wasteful public expenditure, have combined to aggravate inflationary pressures from both supply and demand sides. These precisely are the areas where the priorities for the government's thinking and effort in the immediate future should be firmly fixed.

Here it is indeed most encouraging that the Food and Agriculture ministry and the ministry of Irrigation and Power have come together to initiate the diversion of electricity from its less essential uses in the Delhi region to energizing irrigation facilities for the paddy crop in Haryana and Punjab. Incidental to this purpose has been the scheme for rationalizing the allocation of electricity for industrial users in the industrial complexes in Delhi and its environs. Earlier a scheme of power rationing had been introduced in the Calcutta region and although it is possible that some relief might be expected in a month or two in respect of the acute power shortage now plaguing some parts of the country, it is obvious enough that for the next two years or so the availability of power is bound to fall short of demand, actual or prospective. It is therefore only sensible that the Calcutta and Delhi schemes of power rationing should be adopted as a general model for ensuring a certain degree of reliability in the availability of power to industrial users once they have accepted the discipline of specific schedules of limited working hours or days.

Meanwhile, the stepping up of power generation and the speeding up of new or expansion schemes in both public and private sectors must claim the urgent attention of the government. Recently, addressing the Rotarians in Madras, Mr M.V. Arunachalam suggested that the army should be asked to take over and complete the Idikki project in Kerala. Idikki, of course, has been an extremely bad case of delay and foot-dragging by everybody concerned except the collaborating Canadian government. Mr Arunachalam's suggestion that the army should be brought in, however, could be relevant not only to Idikki but to other major power projects as well, where procrastination has been robbing the country of precious time. In this context it is of considerable interest that the Irrigation and Power ministry is currently operating a monitoring system which, it is claimed, is keeping track of progress in all the major power projects in the country on a month-to-month basis.

While the public sector must necessarily play the leading role in the further expansion of power generation, the potentialities of the private sector also need to be fully utilized for the benefit of the country. Emphasizing this point Mr Naval H. Tata, chairman of the Tata group of hydel power companies, has appealed to the government to lay the ghost of nationalization of electricity companies once for all and proceed at once to execute a positive policy of encouraging and enabling all these companies to expand their generating capacity.

Adressing himself to a related aspect of this problem, Mr D.P. Mandelia has urged that industries planning to put up captive power facilities should be given all the assistance that may be needed for implementing their proposals. In this context he has referred to the sad case of HINDALCO, which has been made to suffer avoidable delays in the expansion of the capacity of its thermal power plant. Mr Mandelia has also pointed out eloquently the loss suffered by the nation through poor maintenance or inefficient operation of power-generating facilities

Eastern Economist 30 Years Ago

SEPT. 29, 1944

President Roosevelt has declared himself to be a relentless opponent of international cartels and has proposed joint action by the United Nations to free world trade from the domination of monopolist restrictionism. Recently, a great deal has been heard about the anti-cartel campaign of the Administration at Washington and it will be recalled that many feathers were ruffled when the Department of Justice levelled grave charges against certain British cartel interests. Anti-trust policy is of course nothing new in American domestic politics and its extension into the international sphere may be both natural and right. But certain significant aspects of the current American hostility against international cartels are too pronounced to be missed. For one thing, the United States has become fully conscious of her unique position in international trade. Her competitive power in advanced categories of manufacture, for which only an expanding market may be expected in a fast industrializing world, is so great as to be almost unique. Her economic destiny clearly lies in trading capital goods and complex consumer goods for the raw materials and to a less extent the simple manufactures of other countries. This, of course, implies that her vital interests are tied up with a multilateral expansion of world trade, in which American capital equipment will create increasing purchasing power in other countries, by which will be sustained and developed the high level of economic activity and prosperity in the United States. In fine, the productivity of American industry has reached a stage, where even the vast home market of the United States no longer offers an adequate field for its full employment, and should therefore seek to serve a wide market as a condition of its revival.

hoped that, however commendable the vernment's zeal may be for breaking the empires of smugglers or the princi-ities of hoarders or profiteers, it will

not divert New Delhi's attention away from the basic anti-inflationary task of building up production. Otherwise, the nation's economy may find itself at breaking point.

Banking in West Bengal

E GOVERNMENT of West Bengal has awn the attention of the government of dia to the low level of bank advances in est Bengal and to the meagre banking ilities in that state. Mr Sanker Ghose, e Finance minister, revealed in Calcutta September 9 that there was, on an erage, one bank for every 50,000 peo-e in West Bengal compared to one for ery 30,000 in Andhra Pradesh, one for ery 27,000 in Maharashtra and one for ery 20,000 in Gujarat. He pointed out at in the three years since the nationali-tion of commercial banks in July 1969, e mobilisation of deposits in West Ben-l was Rs 290 crores while the advances ade by them were Rs 87 crores. But in e western region, the deposits in nks totalled Rs 782 crores and the ad-nces amounted to Rs 524 crores while the southern region the deposits and vances were Rs 393 crores and Rs 361 ores respectively. Mr Chavan, the ion Finance minister, had recently in-ucted the departments concerned to move the regional disparities in bank vestments and Mr Sankar Ghose sug-sted that this directive from the centre ould be quickly implemented.

It is, of course, true that banking faci-ies in West Bengal are not only inade-iate but they are also unevenly distribut-l. For example at the end of June 1972, t of the total of 760 bank offices in West engal 293 were in Calcutta and 101 in e 24-Parganas district. The number of nk offices in the other districts was very nall, being only eight in West Dinajpur, 2 in Purulia, 11 in Cooch Bihar and 18 Bankura.

But why has the growth of banking cilities in West Bengal been far slower an in many other states? One major ctor, of course, was the prolonged poli-tical instability in West Bengal until about two years ago, which had its inevitable impact on economic development. Evidence of the stagnation in business activity in West Bengal can be had from the fact that while in Calcutta the number of cheque clearances increased from 12,353,000 in 1968-69 to 13,048,000 in 1972-73, in Bombay it went up from 29,918,000 to 43,880,000. The amount involved in these clearances in Calcutta rose from Rs 6251 crores in 1968-69 to Rs 8328 crores in 1972-73 while in Bombay this increase was from Rs 10027 crores to Rs 16843 crores.

After Mr Siddhartha Shanker Ray's ministry was formed over two years ago, business activity in West Bengal was expected to gather rapid momentum but, unfortunately, the persistent power shortage was a serious impediment. The erratic and extensive load shedding not only crippled industrial production but also severely disrupted work in government offices and commercial firms. Most banking operations practically came to a standstill during the periods of load shedding, In this situation, it is hardly surprising that the expansion of banking activities in the state has not received any impetus.

It is hoped however that in coming months it will be possible to open more bank offices in West Bengal especially in those districts which are relatively backward. The government of West Bengal set up in last November an infrastructure corporation but this seems to be working in a leisurely way. It is necessary that this corporation should be able to operate energetically so that the availability of various kinds of infrastructure all over the state, like water supply, transport and communications can be quickly and substantially increased and banks will be induced to extend their activities to these areas. It is particularly important to speed up the programme of rural electrification. While many states have been able to achieve impressive progress in electrifying their villages, West Bengal has been able to introduce power only in about 10 per cent of its villages. If the government of West Bengal is keen to provide more banking facilities, it should accelerate the improvement of all kinds of infrastructure throughout the state.

But the mere opening of more bank offices is not going to be of much help to West Bengal unless they always operate at a high level of efficiency. It is unfortunately true that since their nationalisation the services provided by banks have generally deteriorated all over the country. In West Bengal business organisations have repeatedly drawn the attention of the Reserve Bank and the union Finance ministry to the difficulties in dealing with the banks. The complaints have related to delays in receiving payments and in clearing cheques, non-availability of currency notes of the required denominations, return of cheques on flimsy grounds, dishonouring cheques despite adequate balances in the accounts, and so on. It seems that the banks have lately been trying to improve the quality of their services but it is necessary to tone up vigorously their efficiency at all levels so that they can effectively serve the public, especially industry and trade.

Banks in West Bengal have to play a dynamic role in the development and diversification of industry and in creating opportunities for employment. Mr Chavan said in the Rajya Sabha recently that West Bengal had secured the first position in the country in regard to the release of bank loans for the educated unemployed. But it is not known to what extent the availability of bank loans has actually helped West Bengal to create more productive employment for the educated persons. In any case, this problem has persisted in West Bengal in a chronic form for a long time. As Mr Sankar Ghose said in his budget speech in February this year, "the problem of unemployment and under-employment in West Bengal is most acute. Though there are differences of opinion as to the number of unemployed in the state, even on the basis of the latest figures available from employment exchanges, the number of

unemployed in West Bengal is undoubtedly the highest in the country. Moreover, the rate of growth of population in West Bengal during 1951-61 and 1961-71 has been 32.8 per cent and 26.8 per cent against the all-India averages of 21.5 per cent and 24.8 per cent respectively. In fact, the population density in West Bengal (1,032 persons per sq. mile) is the second highest in India. "The state government therefore has to undertake a series of programmes in industry, agriculture, transport, communications and other fields with a view to generating more jobs and the banks have a major role in ensuring the success of these schemes. Besides, the banks should also be able to contribute substantially to the promotion of self-employment for which there is, indeed, tremendous scope in West Bengal. But both the state government and the banks have to display a great deal of initiative, imagination, and enthusiasm in promoting self-employment in a big way.

Incidentally, it is interesting to note that, despite the economic stagnation in West Bengal, it has been possible for the state government to achieve record collections in small savings. West Bengal's small savings collections amounted only to about Rs 34 crores in 1971-72 and rose to Rs 60 crores in 1972-73. Mr Sankar Ghose has claimed that this was the highest collection of small savings in any state in India in 1972-73 or in any previous year. West Bengal's target for small savings in the fourth Plan was Rs 70 crores but the latest figures show that the collection was more than Rs 100 crores. The savings potential in West Bengal seems to be quite substantial and the banks themselves therefore should show more interest and initiative in extending their activities in this state.

Reserve Bank puts the record straight

THE ANALYSIS contained in the annual report of the Reserve Bank for 1973-74 of the trends in bank credit in the last two busy seasons clearly indicates how special factors, along with the imported inflation, were responsible for the unprecedented pressure on the resources of the scheduled commercial banks. The monetary authorities have done well by admitting that serious difficulties would have been created for industry and trade if a flexible policy had not been adopted when disbursing credit in the last busy season and the fresh complications arising out of a sharp rise in the cost of imports of raw materials and components had not been taken into consideration. The details relating to credit trends in the 1973-74 busy season have already been furnished by the Reserve Bank but it was not so forcefully discussed how the attempts of the government to window-dress its overall deficit for 1973-74 and how the increasing reliance of the public sector undertakings for their requirements of working capital on the banking system resulted in an unexpected growth in credit in particular directions.

In retrospect, it would appear that there was an attempt at inventory building by even industrial units in the private sector or a compulsion to utilise bank finance to a greater extent than before for maintaining inventories because of the full absorption of internally generated resources in the implementation of expansion or new schemes in the 1972-73 busy season. It is also likely that term loans were taken in larger volume by many industrial units before the strict directives were given by the Reserve Bank to the member banks that long-term credit should, as far as possible, be avoided by them. It is not possible otherwise to explain how the residual sector got as much as Rs 588 crores in the 1972-73 season even when prices were much lower than in the current year against Rs 427 crores in the 1973-74 busy season.

What is really interesting to note is the fact that out of the aggregate expansion of credit of Rs 1,175 crores in October 1973-May 1974, against Rs 916 crores in 1972-73, procurement credit increased by Rs 190 crores, against only Rs 6 crores. It is pertinent to point out here that the increase in procurement credit was due only to the extent of Rs 110 crores on account of larger buffer stocks though higher procurement prices also necessitated a bigger outlay for even the same quantity. But the burden on the banking system increased by Rs 80 crores in March this year, when the government was frantically attempting to reduce its overall budget for 1973-74, with the Food Corporation making a payment of this sum to the central government in discharge of its obligations. There must have been similar adjustments in other directions though it has not been possible to quantify precisely what the total impact of these one-time adjustments is on the use of bank funds.

It has been actually observed in the report that "there were indications that the cuts in government's current spending were achieved in part by an addition to the book debts of suppliers, including public sector enterprises". It has also been observed that "a good part of the increase in the bank credit to the commercial sector was a consequence of the policy of shifting a part of the budgetary burdens on to the banking system".

Against this background it will not be wrong to presume that exceptional factors alone were responsible for a bulge in credit in the last busy season. Making the necessary allowance for the shifts in the burden of the government to the banking system and the one time adjustments relating to the return of loans to the government by industrial and trade units in the public sector, net expansion of credit for productive purposes has been on a scale which has had a hurting effect on the operations of many industrial units. The managements of these affected units are now engaged in an exercise with the monetary authorities for securing larger drawing limits for meeting the increased requirements of working capital consequent on higher prices for imported raw materials and components and an increase in production with the implementation of expansion schemes. The difficulties have arisen even after accepting deposits and loans from the public up to the limits stipulated by the Reserve Bank and also

d suppliers.

There will probably have to be a libe-lisation of credit limits by Rs 150-200 ores with a proper safeguard for enab-g industrial units to step up production d maintain balanced inventories. Even ough there were indications in recent eks that the declining trend in prices r some commodities in the international arkets may be helpful in replacing ear-r high-priced inventories with low-pric- counterparts in the coming months, e advantages in this regard, so far as the anks are concerned, are likely to be off-t by higher procurement prices for food-ains and increase in the minimum price r sugarcane and therefore in prices for vy sugar and possibly an upward revi-on of prices for some other products e steel, cement and coal.

The strain created by the indiscrimi-ate administration of the credit policy in cent months by many banks, notwith-anding the flexible approach adopted by e central banking institution, will be vident from the fact that apart from rocurement credit accounting for Rs 190 ores against Rs 6 crores in 1972-73 ex-ort credit had to be increased by Rs 214 ores against Rs 114 crores. Public sec-r undertakings required an extra Rs 25 crores against Rs 86 crores and bor-owers in the priority sectors another Rs 19 crores against Rs 122 crores. The esidual sector as stated above got only s 427 crores against Rs 588 crores. It difficult to say how the provision of rger credit for use by exporters and bor-owers in the priority sectors enabled the sidual sector to increase its liabilities gainst outstanding bills. But the Reserve ank itself has stated that the propor-ion of export credit to the total of ad-ances of member banks has risen signi-icantly implying that remittances against xport bills were slower than usual. It will probably be necessary to analyse ven more closely the data for the last two usy seasons as unusual factors have been n operation even while difficulties were eing experienced in managing an unusual situation arising out of an unprecedented rise in prices. An independent assessment is necessary in order to be in a position central banking institution to administer its credit curbs more meaningfully and make the best use of available resources.

In view of the new developments and fresh complications arising out of shifts in burdens and changes in policies relating to the fixation of prices and marketing of essential commodities, it is necessary to have an open mind when dealing with problems relating to credit expansion in the 1974-75 busy season. The Reserve Bank has already indicated that the dearer money policy would be pursued in the coming months and high interest rates have come to stay so far as its discounting of bills under the bill market scheme and lending against refinance facilities are concerned.

But it will be wrong to charge usurious interest rates on aggregate advances even when banks are borrowing on a much smaller scale than in the last busy season from outside agencies to meet overruns. Even in the western countries the feeling is gaining ground latterly that dearer money by itself cannot provide the correct answer for the ills flowing from the unprecedented hike in oil prices and some positive steps will have to be taken for stimulating activity in the stock markets and combating recessionary trends. The monetary authorities in the country will be failing in their duty if they do not take note of these new trends in thinking. They may continue the dearer money policy for some time but there should be an attempt to have an integrated interest rate structure and eliminate the anomalies now prevailing in some directions. It is also important that credit should be liberally available for genuine purposes and the new policy of attempting to restrict total lending to available resources after meeting heavy statutory obligations should not have unduly harsh effects during the peak of the new busy season.

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POINTS OF VIEW

Minorities, migrants and the brain-drain

B.R. Bhagat

IN RECENT times, the question of persons who may not be the citizens of a country but are living and working there has come for detailed study in the several United Nations bodies. In 1972 the expulsion of Asians, mostly of Indian origin who had taken UK citizenship, from Uganda was taken up by the UN Sub Commission on Protection of Minorities and Prevention of Discrimination as a matter of violation of human rights. The issue was debated hotly and the consensus emerged that these persons even though not citizens of Uganda should be treated humanely and in accordance with the provisions of the Universal declaration of human rights. This question was important inasmuch as it related to an ethnic minority living in a country with predominant black majority who themselves have been subject to a worst kind of racial discrimination by the white minority. On a special request of the Human Rights Commission, this matter was taken up for study in depth by the Sub Commission on Prevention of Discrimination and Protection of Minorities. On an examination of the existing international covenants of human rights, the Sub Commission came to the conclusion that this problem is not only urgent but can lead to further complications in many parts of the world where a large number of persons who are not citizens of the country are living and working.

well-known problem

Not only are there several millions of people of Asian origin in eastern and southern Africa and other countries of Asia and West Indies, but as many as 11 million people from south Europe, i.e. Italy, Spain, Greece, and Yugoslavia and western Africa who are working in north and western Europe mostly West Germany, Switzerland, France, Sweden and England. The problems of Asians in east Africa are well-known and have given cause for anxiety to India, Pakistan, Bangladesh and the UK. This problem has been taken up bilaterally by the governments of India and the UK with the governments of the countries of east Africa. On the whole, India has followed a policy of restraint in dealing with the developing and non-aligned countries of east Africa. Despite our close relations, an uncertainty lies over the head of these people and it would require tact and diplomacy on our part along with wisdom and generosity on the part of the east African countries to solve this problem in a manner which causes least dislocation and suffering to these people.

> Mr B.R. Bhagat, MP, is now a member of the UN Sub Commission on Protection of Minorities and Prevention of Discrimination elected by the Human Rights Commission. Earlier, in 1972, he was chairman of the Sub Commission when the important issues he is discussing here were first taken up by the Sub Commission, mainly through his initiative.

The problems of the migrant workers as they are called in Europe is more economic in character. They want equality of treatment in wages and other trade union rights along with the citizens of these countries. Political problems are inherent in the increasing numbers of these workers in Switzerland, where they come to form a large proportion of the local population. Similar situations may arise in other countries of Europe, where migrations reach a high proportion as in Switzerland.

On both these problems the conclusion in the Sub Commission was that economic, civil and cultural rights should equally apply to these non-citizens. The only limitation is of the enjoyment of the political right, i.e. participation in the formation of government and the right to vote. Obviously, this cannot be extended to persons who are not citizens of a country. But it is generally agreed that in the enjoyment of other rights like those of employment, housing, education, medical benefits and other cultural rights they should be treated on a par with the local population.

In respect of the right to property, again, there should not be any arbitrariness in taking over their property as was done in Uganda. In this matter also the national laws about right to property should apply to these persons. They should be given reasonable compensation like other citizens whenever their property is nationalised or taken over by the government. It is hoped that the Sub Commission's recommendations about the application of these rights to the non-citizens of a country in a positive manner will be adopted by the Human Rights Commission, the Economic and Social Council and finally the UN General Assembly in the near future. Without the clear declaration of economic, civil and cultural rights of these ever-increasing migrant workers from economically weaker countries to more affluent countries, serious political problems may arise between such countries and adversely affect the well-being of these people.

economic effects

Another aspect of the same problem has been under study by another body of the United Nations i.e. United Nations Conference on Trade and Development (UNCTAD). This matter, i.e. economic effect of the outflow of trained personnel from developing countries which is popularly described as the 'brain-drain', has assumed wider and deeper economic connotation. Due to the faster and larger means of communications it has become possible for persons particularly the students, scientists, engineers and doctors to go in increasing numbers from one country to another in search of advanced study and employment.

In its study which is described as the 'Reverse Transfer of Technology', the UNCTAD secretariat has determined that over 53,000 people moved to the United States between 1961 and 1970. In 1965-70 alone, more than 20 per cent of the net

additions to the employment of scientists and engineers in the United States came from abroad. Brain-drain of this kind is essentially a reverse transfer of technology.

The United States is the biggest recipient of this brain-drain and India is one of the biggest donor countries in this international transfer of skill. The study maintains that in 1970 alone the income transferred through this brain-drain to the United States comes to around $3.7 billion. This is the contribution of the developing countries to the development of the United States. In comparison, the United States official development assistance to developing countries in the same year was $3.1 billion. The significance of this total of income transfer ($3.7 billion) may be more easily appreciated if it is compared with some other relevant magnitude. It was equivalent to over 0.3 per cent of United States' gross domestic product, nearly 14 per cent of total United States' expenditure on research and development, and about 39 per cent of United States' current expenditure on higher education. F India alone 3,141 scientists, engineers doctors went to the United States in and their total contribution to that cou was of the order of $ 874.5 million.

The overall picture that emerges is of massive net incomes transfer from developing countries to the United St in the form of brain-drain. It is als interest that some of the biggest contr tions are made by countries that among the poorest in the developing w itself.

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Breakthrough on the GATT front?

London

E. B. Brook

WINDOW ON THE WORLD

AMID A welter of urgent, anxious conferences the best news so far this month has come from the USA where government officials and the Congress have become more confident of enacting the Trade Reform Bill into law by mid-October, removing a threat of slow movement and delays in world trade talks due to begin in Geneva late that month. In Washington it is increasingly realized that moving forward the round of new trade negotiations begun in Tokyo to realistic bargaining is one of the most obvious ways to help check the world-wide inflation and financial nervousness that plague governments and individuals. In any case, it is a year since the Tokyo Round was set in motion at a ministerial meeting in Japan but that widely-applauded "unprecedented global assault on tariff and non-tariff barriers" has been stuck ever since while the biggest industrial states have experieneed their oil-price shock, the value of money has shrunk frighteningly and banks in the western world have given alarming evidence of their fragility in foreign exchange operations. In west Europe the Tokyo Round has been all but forgotten in a smother of emergencies to such an extent that the Market has yet to set up its representation at Geneva.

The second best piece of news emerging from the pervading anxiety comes from the chairman of the Union des Banques Arabes et Francaises in Paris who insists that the problem of bringing the funds paid to middle-east states for oil back into productive investment and solving west Europe's liquidity worries is too big for anything but government to government accords for which an international conference between oil-producing and consuming states would be necessary. This seems to be the first effort at sufficiently constructive thinking there has been yet on this difficult subject. The middle-east and north Africa with other oil producers have been sitting in nervous uncertainty on their growing funds while in west Europe every example of Arab investment, of even a few million dollars, has been hailed almost childishly and certainly competitively as a sign that the USA, Britain or West Germany is the new home for re-cycled funds.

These Arab investments, although total billions of dollars, when put into perspective against the magnitude of oil earnings, look rather small. Few in west or east appear fully to realize the magnitude of the re-cycling problem. This year the oil-producing states will amass about $53.3 billion, rising to an accumulated net surplus of $235 billion by 1980, the date when North Sea oil is expected to present the middle-east with a competitor. Of this year's $53 billion revenue less than one billion dollar will have gone into foreign stocks or real estate. If Arab governments spend all their planned outlays on internal costs and investment this might absorb $26 billion this year, but a more probable figure will be only about $22 billion, leaving another $25 billion or more for investment abroad. This is likely to find its way principally into US banks on short-term deposits, the rest going to Swiss and British banks on the same terms, providing them with another problem of huge repayments next year or in 1976 with liquidity problems already distracting their managements. Arab money, it seems, will turn eastwards to Singapore, Hong Kong and Tokyo only if the Americans and Europeans put limits on deposits—some move in this direction has, under federal persuasion, been made already in the USA. In Europe, the French are pinning hopes on their cooperation plans with the middle-east to be further considered in November, the British watch property passing into Arab ownership and the West Germans take in the Iranians as partners in some of their most prestigious industries.

towards political union

Meanwhile, in France and Basle, finance ministers and central bank governors talk secretly and anxiously as to what is best to be done, the Common Market presents its members with a record budget of about £2,900 million, an increase in expenditure of 37 per cent above last year's total, Europe's farmers prepare for massive demonstrations for higher prices and the enterprising French President invites Common Market leaders to discuss another European summit. The main result may be to transfer much power of decision from the Market's Commission to the Council of Ministers but whether, in present circumstances, west Europe can be moved forward faster towards unity seems very questionable. The purpose of the French President's "summit" would be "to reflect together on the time-table for political union". This time-target has already been selected—1980—but it is remarkable that a completion date should be fixed before the participants have either decided what they mean by political union or, as with the British, whether they really want to be in any sort of union at all. The British have seen many Market hopes vanish and, irrespective of party, are highly suspicious of the whole business which has raised many of the domestic prices they have to pay. Since no one has defined what European political unity means or how it will work these highly publicized junketings in France seem not a little beside the point, more especially since the Market has almost stagnated since the oil crisis of last year. Many in

Europe think the Market is altogether too parochial for the present world situation and in face of determined nationalism everywhere. The idea of a federal west Europe rouses little enthusiasm or interest today when Europeans have seen how the Americans with their dollar and the Arabs with their oil can push them around.

What concerns the west European today is how much his money is really worth, how safe is his bank and how much he must pay to run his car, heat his home or run his factory. Inflation, it is accepted, is with us for years—the Icelanders, with the highest rate of inflation, are said to be happy with it, raising wages as prices steadily go up and printing ever more money to supply the increasingly worthless cash. Not everyone can be so lighthearted. The Market's six major finance ministers have sought (but not necessarily found) ways of making their economies more independent of oil imports, better exchange of information about banks' forward dealings in international capital markets and decided that on no account must any measure taken over inflation reduce the growth of world trade or threaten employment. Each government watches prices carefully and would prefer to see its currency sink further in value than workers, who are voters, put out of employment. Nothing, in brief, must be done that will avoidably increase the unpopularity of governments or of the parties forming them. While the French and West Germans would like a policy of deflation and credit restrictions the British will have none of either, urging that deflation and unemployment in Britain would mean exporting the British deficit to primary producers and making it, even more difficult for industrially developing countries either to trade or provide raw materials.

The money worries have brought the banking industry severely under fire. The Franklin Bank in the USA, Herstatt and a number of smaller banks in W. Germany, the Union Bank and two smaller ones in Switzerland and a heavy foreign exchange business loss by Lloyds have all created public distrust. Further losses can be expected before the year's end. *The International Currency Review* has accused the banking community of trying to hush up "abuses and excesses", of the growth of dangerous practices with "staggering sums" in banking, lack of senior supervision, of the use of the Eurocurrency market by international crime and of bank losses of as much as $ 10,000 million in supporting major currencies beset with devaluation. The private depositor and the taxpayers take the final burden and the loss of confidence is seen in a heavy falling off in deposits in west European banks. Some of this may be a trifle harsh but that there is much fire under this smoke is proved by the efforts of central bank governors last week to bolster confidence in the international financial system. It remains to be seen if promises of more information and tighter controls will reassure the depositors or if a "run" is developing.

IMF finds world economy in throes of violent inflation

AT MID-1974, the world economy was in the throes of a virulent and widespread inflation, a deceleration of economic growth in reaction to the preceding high rate of expansions, and a massive disequilibrium in international payments. These are among the major observations set forth in the annual report of the Executive Directors of the International Monetary Fund. The Report characterizes this situation as constituting perhaps the most complex and serious set of economic problems to confront national governments and the international community since the end of World War II. In view of this combination of circumstances, the Report stresses the need for international cooperation of a quality rarely achieved in the past, stating that in its absence the pursuit of unduly nationalistic policies in disregard of their impact on other countries could greatly exacerbate the problems now confronted.

The Report points out that, in light of the appearance of grave uncertainties on the world economic and financial scene, the Committee of the Board of Governors on Reform of the International Monetary System and Related Issues (the Committee of Twenty) shifted the priority of its work from longer-term reform to the reaching of agreement on numerous important aspects of reform affecting the immediate interests of both developed and developing countries. Although the results of the Committee's work on longer-term reform were less comprehensive than had been hoped for when the Committee began its work in September 1972, a substantial measure of agreement has been achieved on the broad objectives of a reformed system; and the programme of action initiated at the final meeting of the Committee in June 1974—as described in the chapter of the Report dealing with Fund activities—provides the basis for an evolutionary process of reform which could be of great help in dealing with current international payments, problems, and which could prove, in itself, a significant step in the evolution of the international monetary system.

In a separate chapter the Report reviews the adequacy of international reserves against the background of such exceptional occurrences as the realignment of parities and widespread adoption of floating exchange rates, the developments relating to gold, and the changes in balance of payments prospects as a result of developments in the markets for essential commodities, particularly oil. The Report finds that a situation of global reserve ease prevailed during most of 1973, but that it was declining in the course of 1973 and that symptoms of greater reserve stringency emerged in 1974.

After more than a decade of generally rising rates of price increase, inflation accelerated rapidly in the past two years, the Report notes. This acceleration was compounded by the upsurge of most primary commodity prices in the wake of the widespread economic boom and by the recent sharp escalation in the price of oil. The average annual rate of inflation in industrial countries, already seven per cent in 1973, reached 12 per cent (in terms of GNP deflators) in the first half of 1974, when even those countries with the lowest rates of price increase were experiencing inflation on a scale considered unacceptable. This course of developments, marked by the formation of a deeply embedded inflationary psychology, has brought into focus the need for countries—especially the largest

...ies—to pursue a strategy to curb in...tion before it leads to serious and ...olonged damage to the world economy.

Such an essential strategy must be in...ituted at a time of marked economic ...owdown in the industrial countries. ...nder the impact of cyclical influences ...d of developments relating to oil, the ...olume of total output in the industrial ...untries suffered an outright (though ...all) decline in the first half of 1974, ...d the effects of this unusual develop...ent were in process of spreading to the ...rimary producing countries. At mid-...974, notwithstanding a general expecta...on that expansion of the main indus...ial economies would be resumed in ...e second half of the year, diagnosis of ...e balance of expansionary and contrac...onary forces in the world economy was ...ncommonly difficult, the Report points ...ut, and the pursuit of anti-inflation ...rogrammes centering on policies of ...nancial restraint involved, of necessity, ...e incurrence of certain risks.

...ecent boom

The Report draws attention to several ...istinctive features of the recent boom ...hat appear to offer grounds for an ex...lanation of the exceptional rate of ...rice inflation that has developed. Among ...hese were the high rates of price increase ...ustained through the previous economic ...lowdown and the upward momentum ...hus already prevailing at the beginning ...of the 1972-73 upswing; the magnitude ...of the increase in many primary com...modity prices (even apart from oil), which ...as no parallel with earlier peacetime ...experience—a fact suggesting that to ...some extent these big increases were in...dependent of the general process of ...nflation in the world economy; and the ...oil developments, especially the incidence ...of their cost-raising influences, since ...October 1973.

Clearly, these and other influences ...have been mutually supporting and reinforcing in their effects on prices. Their combined strength has recently reached such proportions, and has become so deeply embedded in public attitudes and expectations, that inflationary pressures are likely to persist for some time, the Report cautions, even if the stance of financial policies in all the larger countries were presumed to be wholly appropriate in the light of all legitimate domestic concerns. The Report observes that the problem of retarding the present momentum of price advances is greatly complicated by the ease with which impulses in one area are transmitted to other parts of the world, and calls attention in this regard to the price explosion that has occurred in international trade since 1972, following a long period of near stability.

The Report calls for a clear-cut strategy of policy to deal with the world-wide infiation problem before it gets further out of hand. Although suggesting that all countries should be expected to contribute to a solution, the Report indicates that the chief responsibility in this regard falls on the industrial countries because of their sheer weight in the world economy.

The Report emphasizes that the fundamental need is to bring about and sustain a better balance between demand and supply—between the growth of aggregate expenditure and the capacity to produce. Although the policy stance may vary from country to country, it will generally be necessary for the industrial countries, over an indefinite period, to maintain a somewhat lower pressure of demand on resources than has been customary. During this cooling off period, the Report suggests, demand management policy should aim for a progressively lower rate of price inflation and—to support this aim—should become less ambitious on the growth side. Growth rates somewhat lower than those aimed for in the past might well have to be accepted. Similarly, unemployment might have to be somewhat higher—as it recently has been in most industrial countries—in relation to traditional targets. In addition to a changed approach in demand management policy, requiring (inter alia) acquisition of better control over the national budget, the Report emphasizes the importance of complementary measures to improve supply conditions, to strengthen productive capacity and productivity, and to alleviate cost pressures; without such measures, including those directed specifically to achieving higher levels of saving and investment, the task of general demand management would be rendered considerably more difficult.

effective approach

In this context, the Report states, the present circumstances call for a renewal of the search for effective approaches to incomes policy—for efforts to exert direct influence upon the movement of wages and prices in the public interest. Although such measures are difficult to devise and implement, and must be geared in each country to its own institutions, traditions, and situation, the absence of such measures might make it very difficult to limit the effects of cost pressures on prices and to achieve price moderation except at the expense of greater slack and employment.

In the area of international trade and payments developments, the Report draws a picture of exceptionally large changes in foreign trade prices and values, bringing substantial shifts in the payments situations and prospects of many countries since the previous Annual Report. Some of the changes in trade prices and values have stemmed from the major currency realignments of early 1973 and subsequent fluctuations of exchange rates under a regime characterized by widespred floating.

increase in volume

The volume of world trade increased by some 12½ per cent from 1972 to 1973, compared with nine per cent—a rate of growth close to the long-term average—in the previous year. Since about the middle of 1973, however, a tapering of the expansion in world trade has accompanied the slowdown of real economic activity in the industrial countries. For a number of primary products moving in international trade, limitations of current supply—including those stemming from droughts and other natural forces—also appear to have been a factor in this deceleration (as well as a factor contributing to the upward pressure on prices). The rate of expansion of world trade in real terms in the first half of 1974 was probably much below the trend rate, in sharp contrast to the experience in 1973.

In discussing the extraordinary succession of increases in prices of primary commodities since about the end of 1972, the Report emphasizes that focus on the approximate tripling of the average export price of crude petroleum from September 1973 to January 1974 should not be permitted to overshadow the fact that exceptionally large price increases occurred throughout a wide range of commodity categories during 1973 and early 1974. Some of the largest increases were particularly significant not only as factors in the growth of export earnings of the producing countries, but also as elements of the increased costs confronted by importing countries in all major regions.

After discussing some shifts in the terms of trade, which for 1974 seem almost certain to move against all major groups of countries except the oil exporters (particularly against those industrial countries whose oil imports are large and whose exports consist predominantly of manufactured goods, as

well as certain developing countries whose own export prices have not shared in the general upward trend), the Report turns to international payments developments. From 1972 to 1973, the main shifts were a rise in the balance of payments surplus of the oil exporting countries and large changes in both current account balances and net capital flows recorded by various industrial countries. The current account balance of the United States swung sharply upward, from a deficit of $ 7 billion in 1972 to a surplus of $ 3½ billion in 1973, while the Japanese current account surplus, amounting to $ 7 billion in 1972, virtually disappeared and the UK and Italian current accounts both showed swings of some $3-3 ½ billion from surplus to deficit. The other principal change was a rise of about $4 billion in the current account surplus of Germany (W.), to almost $7 billion.

For 1974, the Report notes, the prospect for current account balances is one of startling changes, dwarfing those recorded for 1973. These changes are likely to involve not only large swings in the balances of a great many individual countries, but also a massive shift in the global structure of balance of payments of relationships among broad groups countries. On the central working hypothesis that the level of oil export prices prevailing in the first half of 1974 will be maintained throughout the year, the combined current account surplus of the major oil exporting countries will go up very sharply—to about $ 65 billion as an order of magnitude. The increase of some $60 billion over the enlarged 1973 surplus would have its counterpart in a deterioration of similar magnitude for all other countries combined. The situation may be especially serious for developing countries that are net importers of higher-priced cereals, as well as oil, and whose own export earnings have not shared strongly in the recent upsurge of primary commodity prices.

effective coordination

The Report emphasizes that the present enormous disequilibrium in international payments on current account, being wholly unprecedented in size and character, requires particular types of policy response on the part of the oil consuming countries. As a group, they must accept a sharp deterioration of their combined current account in 1974; and they must strive, while making necessary adjustments in relation to each other within the context of the new situation, to achieve close and effective coordination of their external policies and to avoid mutually injurious defensive measures. Lack of such an internationally cooperative response, the Report warns, could seriously damage the world economy.

As to the financing of the "oil deficit," the Report notes that financial markets appear to have operated reasonably well in the early stages of reflows of funds from the oil exporting countries, but that the question remains whether the Eurocurrency market will prove adequate over an extended period to the financing task that is envisaged. Concerns related to this question suggest that the major industrial countries should consider possible ways and means of minimizing the hazards involved and assuring the maintenance of orderly conditions in the Eurocurrency market. They also suggest an important need to promote alternative channels of finance, such as the Fund's recently established oil facility, through which capital can flow from the surplus to the deficit countries. Even with the new oil facility, official financing facilities and arrangements are clearly not adequate in the case of the developing countries; and, calling the problem both serious and urgent, the Report stresses the need for a greater flow of capital on concessional terms and of grant assistance to those less developed countries—mostly with extremely low income levels—that have been affected most severely by recent international economic developments.

adjustment issues

With respect to balance of payments adjustment issues facing the oil importing countries, the Report suggests that these countries should lean towards policy choices consistent with the global demand situation and conducive to the abatement of inflation both nationally and internationally. Under criteria based on such principles, countries in a relatively strong balance of payments position would be expected to go as far as they felt was reasonable in expanding demand without weakening the fight against inflation, and thereby to provide support to the growth of world trade and activity; in the externally weaker countries, demand would be restrained enough to shift domestic resources to the balance of payments by dampening imports and facilitating exports. Among the more specific elements to be considered in connection with adjustment problems, the Report gives particular attention to the ability of countries to attract capital, noting that the assessment of current account positions depends critically on the picture for international capital flows. Citing the evident willingness of countries to borrow in order to cover oil and other deficits, the Report suggests that there may be some danger that official financing will bulk too large compared with adjustment via demand policy adaptations or exchange rate changes. Unduly heavy official borrowing enables countries to sustain currency values and domestic expenditures higher than they otherwise would be, resulting in undue pressure on the resources of other countries. However, there is also an opposite danger that some countries, reacting to the pressure or prospect of mounting indebtedness, may seek to adjust their current account positions at an unduly rapid pace, to the disadvantage of their trading partners. Thus, a key policy question at present concerns the relative weights to be assigned to adjustment and financing, the Report says, adding that resort to measures restricting current transactions would be a matter of serious concern. Some reactions of this type have already occurred, the Report observes and generalization of such developments could have grave consequences.

investment of surpluses

As to the oil exporting countries, the Report states that, on the assumption that present levels of oil prices and production are sustained, comparatively little external adjustment is feasible in the short or medium run. The main general problem they face immediately is how best to invest the counterpart of huge current account surpluses outside their countries. Beyond the medium run, however, this problem seems likely to remain dominant only for oil exporting countries with small populations and relatively low capacity to absorb goods and services from abroad. Other oil exporting countries with large populations generally can be regarded as having a relatively large potential for domestic economic development. It seems likely that, in time, these countries will be spending a high proportion of their sharply expanded volume of foreign exchange earnings. Their main task is to raise the rate of development spending effectively, without intensifying domestic inflation.

II

The stock of international reserves increased during 1973 by the equivalent of SDR 6.9 billion, after growing by more than SDR 70 billion during the previous three-year period. Aggregate holdings of all countries reached the equivalent of SDR 153 billion at the end of 1973, which was slightly more than twice their level at the beginning of 1970.

For the first half of 1974, preliminary indications are that official holdings increased by some SDR 12 billion or more. The reserves of the major oil exporting countries as a group appear to have more than doubled, while the net change for all other countries combined is likely to have been quite small. In

articular, complete reports for the indus-ial countries show that this group's serves, which account for a substantial nare of the world total, were much the ame at the end of June 1974 as they nd been six months earlier. Partial data or the developing countries other than ne oil exporters suggest some increase n the holdings of the group during the eriod. The Report notes that virtually ne whole rise in countries' total reserves as directly attributable to the foreign xchange element, which by the end of 973 accounted for as much as two thirds f the total stock.

xpansion of reserves

The net expansion in official reserves n 1973 came about in spite of a devaluation of the US dollar that considerably educed the value of the reserve stock in erms of Special Drawing Rights (SDRs). n February, the value of the US dollar was reduced *de facto* by 10 per cent in erms of gold and of other assets held as eserves that had a fixed value, notably pecial Drawing Rights and reserve positions in the Fund. As a result, official US dollar holdings—including both dollars neld in the United States and Euro-dollar noldings—have declined in value against SDRs. The reduction in the SDR value of such assets—and hence the reduction n the total reserve stock—has been estimated by the Fund staff at the equivalent of some SDR 8.6 billion.

The Report finds that, of those sources hat can be identified, the financing of he imbalance between the United States and other countries made the largest contribution to reserve change during 1973, but its influence diminished greatly compared with previous years. Claims on the United States continued both to constitute the bulk of foreign exchange holdings and to form the largest single type of official reserves (SDR 55.4 billion at the end of 1973). Other kinds of foreign exchange claims in aggregate, however, are not notably smaller, and the increase in officially held claims other than those of the United States nearly matched the exceptionally large increase that had occurred in the previous year. During 1973, they rose by almost SDR 11 billion and, even after allowance for the reduction in the SDR value of the dollar-denominated portion because of the devaluation, reached a stock total that is estimated at about SDR 47 billion at the end of the year. At that level, they were considerably larger than the world's holdings of gold valued at the official price (SDR 35.8 billion).

The growth of foreign exchange other than dollar claims in the United States was widely dispersed over a variety of forms, some of them traditional but most of rather recent origin. In reviewing these developments, the Report cautions that available data are not as complete and reliable as could be desired, but despite these reservations the estimate is made that identified Euro-dollar holdings at the end of 1973 accounted for almost two-fifths of foreign exchange other than claims on the United States, and this proportion could actually be much higher depending on what part of the unidentified residual as well may consist of Euro-dollar holdings.

The Report reviews some of the recent developments that have had an impact on reserve ease. It says that it has generally been taken for granted that greater flexibility in adjusting exchange rates would reduce the extent to which countries use reserves in intervention. This would suggest that one of the major motives for holding reserves would have been weakened so far as an important group of countries are concerned, and therefore that the global need for reserves would have declined.

several reasons

The Report then lists several reasons for questioning whether the need for reserves has declined as much as is sometimes assumed. First, even where currencies are floating independently their exchange rates are being managed rather than being allowed to float without intervention. Second, there are other motives for holding reserves in addition to their use in financing payments imbalance such as the need to preserve confidence and to serve as a basis for foreign borrowing. Third, countries whose currencies are presently floating may be anxious to preserve the option of returning to a par value system when circumstances permit, and this would require the maintenance of a level of reserves appropriate to such a system. Fourth, the present system is one of limited floating in that the majority of countries still peg their currencies, and it seems likely that most countries which peg their currency to a floating currency will increase their use of reserves above the level experienced under a par value system because the fluctuation of the exchange rates of third currencies in terms of their intervention currency will tend to add to the variability of their payments balance.

The Report concludes that experience of the operation of a system of widespread floating is still too limited to permit assessment of the existence or magnitude of economies in reserve use as a result of floating, especially in view of the many other disturbing factors that have been present since March 1973. However, the Report observes that without the absorption of market pressures through exchange rate changes, the strains on individual countries' reserves in 1973 and early 1974 might have been much greater.

As to the developments relating to gold and their impact on reserve ease, the Report finds that as long as the Washington arrangements of March 1968 were in force (whereby the Governors of the central banks of the United States and six European countries agreed not to sell gold on the private market) any significant premium of the price on the private market over the official gold price reinforced the reluctance of many countries to use their gold holdings. This tended to reduce the level of effective liquidity. If termination of the Washington arrangements had led central banks to be willing to sell their gold holdings on the private market, the central banks that hold substantial quantities of gold would have experienced a major increase in their effective liquidity, which would have been further reinforced by the strong rise in the price of gold on the private market. But the Report points out that termination of the Washington arrangements did not appear to have resulted in central banks being any more willing to sell gold on the private market, and that it remains to be seen whether the opportunity of using gold as collateral at a price different from the official gold price will provide a channel by means of which countries will once again become willing to use their gold holdings. The Report finds it probable that the combind effect of the developments of the past year has been to increase the effective liquidity of gold holding countries, possibly by a substantial sum.

potential implications

Analysis of a third set of recent events with major potential implications for reserve ease, the developments in the oil market, leads the Report to the conclusion that they are likely to cause a decline in the collective reserves of the oil importers but by less than the size of their oil deficit. Taking account of the facts that the demand for reserves by the oil importers is likely to rise and that the bulk of the oil exporters' reserve increases are in excess of their short-run needs, there is a presumption that—despite the expected increase in total reserves—the oil developments will tend to reduce reserve ease, even without allowing for any effect of the increasing indebtedness of the oil importers.

The Report takes note of the widely

held view that the situation has been changing in the direction of reserve stringency. It is, of course, possible that reserve stringency may not emerge because of a renewed growth of foreign exchange holdings, which are not under international management. A second possible source of increased reserve ease would be a development which increased the effective liquidity of gold holdings. Neither of these developments, however, would promote the agreed aim of increasing the role of the SDR as the main international reserve asset.

A third possible source of supply of reserves is the Fund. In addition to the possibility of a new allocation of SDRs, the Fund could play an important role through increased use of conditional liquidity, which has as a by-product the creation of additional reserves. The use of conditional liquidity may be expanded by the utilization of facilities such as the oil facility and the Extended Fund Facility; there is also the possibility of a large expansion in the size of the Fund on the occasion of the impending general review of quotas. In view of the evidence that reserve distribution has worsened in recent years, and the facts that conditional liquidity can be directed to those countries which have a particular need for additional liquidity and can be used to support programmes of adjustment to changed circumstances, there might be a case for substantial emphasis at the present time on this aspect of the Fund's potential contribution to the provision of liquidity.

III

Toward the end of 1972 and early in 1973 the foreign exchange markets were again subject to growing speculative pressures and to an intensification of large-scale short-term capital flows, the Report notes. Major developments in this period were the announcement by the US government in February 1973 that it was seeking congressional approval for a 10 per cent devaluation of the US dollar and the move to a more general floating of currencies. The intensification of inflationary pressures during the year, especially in the industrial world, and the substantial increases in the price of oil toward the end of 1973, brought about a dramatic change in the prospects for the balance of payments and reserves positions of members and for the working of the international money and capital markets.

These developments led, in turn, to a change in emphasis in the activities of the Fund and in the work of the Committee of the Board of Governors on Reform of the International Monetary System and Related Issues (the Committee of Twenty). In mid-June 1974 the Committee presented its final report, together with an Outline of Reform, indicating the general direction in which the international monetary system could evolve and proposing that a number of steps be taken immediately. At the same time, working in cooperation with the Committee, Executive Directors adopted on June 13. 1974 a set of important decisions that constituted a significant change in the bases on which Fund operations and practices are carried out. These decisions related to the establishment of an Interim Committee of the Board of Governors; to the adoption of Guidelines for the Management of Floating Rates; to the interim valuation and interest rate of the SDR, remuneration and charges; and to the oil facility.

role of consultation

In view of the evident need to preserve international monetary cooperation in a period marked by rapid economic developments and frequent changes in currency relationships, the Executive Directors gave renewed attention to the role of the Fund's consultations with members and initiated toward the end of 1973 a new procedure for special consultations with countries whose external policies are of major international importance. A second round of these special consultations in the first half of 1974 included several of the larger developing countries.

At a meeting in Rome in January 1974, the Committee of Twenty issued a communique stressing the importance, inter alia, of members avoiding competitive exchange depreciation and the escalation of restrictions on trade and payments. Subsequently, the Executive Directors took a decision that called on all members to collaborate with the Fund in maintaining orderly exchange arrangements. In its final communique of June 13, 1974 the Committee of Twenty stressed the importance of avoiding the escalation of current account restrictions for balance of payments purposes and invited members of the Fund "to subscribe on a voluntary basis to the Declaration concerning trade and other current account measures for balance of payments purposes." On June 26, 1974 the Executive Directors took a decision associating themselves with the invitation and concurred in the transmission to members of a letter from the Managing Director requesting that members inform the Fund whether they subscribed to the Declaration.

The agreement with regard to official gold transactions reached in Washington on March 17, 1968 between the governments of seven central banks was abolished in November 1973. This was followed, upon request from South Africa, by the termination of the Fund decision "South Africa: Policy on Sales of Gold to the Fund," which had been adopted toward the end of 1969. In other developments related to gold, the Fund approved requests for the postponement of repurchase obligations, incurred in gold, in view of the uncertainty about the future international role of gold; the Bahamas was permitted to become a member of the Fund without paying a portion of its subscription in gold; and, upon the request of Nepal, the Executive Directors recommended and the Board of Governors agreed that the fourth and fifth installments of the increase in Nepal's quota be postponed until April 30, 1976 —each of those installments included the equivalent of SDR 200,000 in gold.

A major consideration of the Executive Directors in the first half of 1974 was to establish a new facility in the Fund to assist members in financing the initial impact of the increase in the cost of their oil imports. This so-called oil facility, which was established in June, was first discussed with the Executive Directors on the initiative of the Managing Director, who recommended it to the Committee of Twenty at its meeting in Rome in January. The establishment of the facility was accompanied by new borrowing arrangements between the Fund and oil exporting countries.

special facility

In July 1974 the Executive Directors continued with their consideration of another special facility, the Extended Fund Facility, designed to provide longer-term financial assistance for countries with structural balance of payments problems. At the same time, they were also working on the preparation of draft amendments to the Articles of Agreement for later consideration by the Interim Committee and for submission to the Board of Governors.

During the fiscal year 1973-74, which ended on April 30, 1974, the total use of Special Drawing Rights by participants was SDR 1,123 million as against SDR 518 million in 1972-73 and SDR 1,178 million in 1971-72. The major part of the 1973-74 total—SDR 996 million—was used in transactions by agreement (that is to say, without designation by the Fund) involving only five participants. The amounts of SDRs transferred in this way were substantially in excess of the totals of SDR 303 million and SDR 380 million transferred in similar

ansactions in the two previous cal years. Transactions with designa-n (SDR 60 million) and the use of DRs to make repurchases in the General ccount (SDR 29 million) were at low vels compared with previous years. The eneral Account transferred a total of DR 185 million to participants, of which DR 157 million was acquired by partici-ants needing to reconstitute their SDR oldings.

ncrease in transactions

The large increase in transactions by greement between participants resulted om the use of SDRs by EEC members settlement of obligations arising from ntervention in foreign exchange markets nder the European Narrow Margins Ar-angement, the Report says.

No proposal was made on future llocations of SDRs during the fiscal year. he Managing Director continues to be bliged to make a proposal whenever he satisfied that it could be made consis-ently with the Articles.

As in 1972-73, purchases exceeded otal repurchases during the fiscal year nded April 30, 1974. Total purchases were equivalent to SDR 1,058 million, as gainst SDR 1,175 million in 1972-73. his was the smallest amount in any year ince 1963-64. Nearly 60 per cent of all purchases were made within the gold ranche, including purchases by France, Germany, (W.) and the Netherlands total-ng SDR 438 million related to settlement of liabilities under the European Narrow Margins Arrangement. Purchases under he compensatory financing facility amounted to the equivalent of SDR 212 million, or 20 per cent of total purchases, little change from the previous year. On April 10, 1974 the Executive Board approved a stand-by arrangement for Italy, the first one for this member, which authorized purchases equivalent to SDR one billion over a 12-month period.

Purchases under stand-by arrange-ments during the year declined from SDR 213 million in 1972-73 to SDR 179 million, the smallest amount purchased under such arrangements in 13 years. The total amount of stand-by arrangements approved in 1973-74, equivalent to SDR 1,394 million, was SDR 1,072 million above last year's figure. The increase was accounted for largely by the stand-by arrangement approved for Italy. With this exception, all other stand-by arrange-ments in effect in 1973-74 were for primary producing countries.

Repurchases amounted to the equival-ent of SDR 672 million during 1973-74, an increase of 24 per cent over the pre-vious year. A repurchase equivalent to SDR 110 million was made by the United States in accordance with a decision of the Executive Board, accepting voluntary repurchases up to the equivalent of SDR 400 million.

Charges on Fund holdings of currencies in excess of quota, the Fund's largest source of income, produced earnings of SDR 28.2 million during the fiscal year. The highest earnings (SDR 128.1 million) were in 1970-71. The remainder of the Fund's income, equivalent to SDR 10.3 million during 1973-74, came mainly from interest payments received on holdings of SDRs by the General Account. Operational expenses, amounting to SDR 27.2 milllon, again consisted entirely of payment of remuneration to creditor members. In 1972-73 these payments totaled SDR 29.3 million. The Fund's net operational income was SDR 11.2 million, a decrease of SDR 1.0 million from the previous year. Compared with SDR 34 miliion, in 1972-73, budgetary and fixed property expenses increased by SDR 14.4 million in 1973-74. Net expenses of SDR 37.2 million were charged to the Special Reserve, reducing that balance to SDR 351.7 million on April 30, 1974. A new schedule of charges was introduced effec-tive July 1, 1974. This was the first change in the schedule of charges since May 1, 1963.

In 1973-74 the Fund completed 89 regular consultations with member coun-tries, an increase from 85 consultations in the previous year. Consultations are a continuing and an important element in in the work of the Fund. They not only provide the opportunity for reviewing in detail the economic and financial situation and policies of member countries but also establish a singularly effective setting for furthering international monetary coope-ration. They help the Fund to deal quickly with members' requests for the use of Fund resources and proposals for changes in exchange rates and exchange practices. Also, for the individual member country the consultations provide an independent appraisal of policy and enable the member to discuss with the Fund any special difficulties arising from the actions or policies of other countries.

The Bahamas became a member of the Fund on August 21, 1973, bringing total membership at the end of the fiscal year to 126 members and aggregate quotas to SDR 29,189 million. An application from Papua—New Guinea for membership in the Fund, after it has attained inde-pendence, was before the Executive Directors at the end of the fiscal year.

The Fund has continued to provide member countries with a wide range of technical services in the fields of fiscal, monetary, and payments policy, banking, government finance, and statis-tics. The assistance has been made available through Fund representative and advisors, training at headquarters, staff missions, and the assignment of outside experts—and has again covered about two-thirds of the Fund's membership. In 1973-74, 35 Fund representatives or advisors were on assignment of six months or more in 23 countries; 240 government officials from 101 countries attended the courses of the IMF Institute in Washing-ton; 72 staff members visited 29 countries on technical assistance missions; and 119 outside experts were on assignments of six months or more in 51 countries.

—*International Monetary Fund*

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World Bank's record lending in 1974

FOR THE sixth consecutive year, the World Bank Group has approved a record total of development assistance to the poorer nations of the world. The figure of $4,517 million for the year ended June 30, 1974, was $962 million higher than in the previous year.

According to the annual report for fiscal 1974 the World Bank's borrowings also reached a record of $1,853 million. Over 30 per cent of this sum came from oil-exporting nations.

Compared with fiscal 1973, the Bank's lending rose by almost $1,200 million to $3,218.4 million. As had been expected, the International Development Association (IDA), the Bank's concessional loan affiliate, committed virtually all the resources available to it by the end of the year. Its commitments, totalling $1,095.2 milllon, were $250 million less than in fiscal 1973. The International Finance Corporation, another Bank affiliate, made investments worth $203.4 million.

Lending for agriculture and rural development accounted for over 22 per cent of total Bank and IDA commitments. The proportion for transport was similar. The share of projects in the power sector, including the largest-ever Bank loan for a single project—$148 million to Turkey—was 18 per cent of the total, the Report adds.

record levels

Disbursements by both the Bank and IDA reached record levels during the year, the Report notes. Disbursements by the Bank amounted to $1,533 million, up by $353 million from the previous year. It was the third year in succession that Bank disbursements had topped the $1,000-million mark. IDA disbursements were $711 million, against $ 493 million in fiscal 1973.

The Report explained the rise in disbursements as a reflection of "inflation, the greatly accelerated pace of lending beginning in fiscal 1969, and the continuing efforts of the Bank and the borrowing countries to facilitate the disbursement process."

To finance its expanding operations, the Bank borrowed $1,853 million in fiscal 1974. Of this, $565 million was borrowed from petroleum-exporting countries—$200 million from Iran; $101 million from the Central Bank of Libya; $76 million from the government of Abu Dhabi; $23 million from a group of commercial banks in Venezuela; $85 million from a public offering of dinar bonds in Kuwait; and $80 million in two-year US dollar bonds placed with central banks and governmental agencies in 14 petroleum-exporting countries.

In fiscal 1973, oil-exporting countries accounted for only 13 per cent of the Bank's borrowings.

largest supplier

Japan remained the single largest supplier of long-term borrowed funds. During the year, the Bank borrowed the equivalent of $461 million—or about 25 per cent of the total from that country. There were no long-term bond issues in the United States during the year.

As expected, the resources available to IDA, including those provided by the third Replenishment, were almost fully committed by June 30, 1974. Under the agreemcnt on the Fourth Replenishment reached in Nairobi in September 1973, twenty-four contributing members of IDA, plus Switzerland, decided to take steps to increase IDA's resources through a Fourth Replenishment amounting to the equivalent of $ 4,500 million for the fiscal years 1975 to 1977. It was understood, however, that no member would be committed to contribute until approval, where necessary, had been obtained from its legislature.

advance contributions

At the time the Fourth Replenishment agreement was reached, it was considered unlikely that the necessary legislative action would be completed by June 30, 1974. Accordingly, it was suggested that action be taken to provide resources for IDA meanwhile in the form of advance contributions.

By the end of the year, the Report says, "It was expected that (enough) resources would be provided to enable IDA's operations to continue without interruption for a substantial part of fiscal 1975".

The report stresses, nonetheless, that it is of the "greatest importance" that all governments press for early legislative approval of the full replenishment.

—International Bank for Reconstruction and Development

RECORDS AND STATISTICS

A Quarterly Bulletin of "Eastern Economist" this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy organizes its material in convenient form and illustrates it with diagrams, grapes and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

The Bulletin averages 64 pages and is priced at Rs 5 per copy. The annual subscription is Rs 20.

Inquiries regarding subscription and aevertisement may be addressed to :

The Manager,

The Eastern Dconomist Ltd, Post Box No. 34, New Delhi-1.

IFC investments exceed a billion US dollars

THIRTY TWO investments, in loan and equity, were made by the International Finance Corporation in fiscal 1974 for a total of $203.4 million. This record figure exceeded the comparable figure for the previous year by $56.7 million. It raised the cumulative total of the Corporation's commitments since it was established in 1956 to more than $1 billion ($1,049 million).

Concurrently with IFC other investors, local and foreign, invested $456.9 million in the same projects. Taking account of $104.4 million to be financed by cash generation the total cost of the 32 projects was estimated at $774.7 million.

Sales by IFC of its own investments in fiscal 1974, by way of participations and from its portfolio amounted, to a record $84.2 million, exceeding the previous year's figure, also a record, by $19.2 million.

Record investment

During the year IFC made first investments in the Dominican Republic, Israel and Jordan. Of the Corporation's total investments during the year, $84.4 million was in support of steel manufacture in Brazil, Iran, the Philippines, Turkey and Yugoslavia; $52.9 million for textile production in Brazil, Colombia, Indonesia, the Philippines and Turkey; $25.4 million for cement production in Colombia, the Dominican Republic, Indonesia and Yugoslavia; and $15 million for a nickel mine in Guatemala. Manufacturing enterprises in Indonesia, Jordan and Spain received a total of $8 million; $6 million was invested in machinery production in Brazil and $4.2 million in chemical production in Israel and Tunisia. Pulp and paper manufacture in Kenya was supported with $2,9 million; food and food processing in Nigeria, the Philippines and Senegal with $1.4 million; and tourism in Mexico with $1.2 million. Local development finance companies in Indonesia, Korea and Senegal received $1.1 million; and a capital market project in Korea $342,615.

Of the $203.4 million committed by IFC during the year, $131.7 million went to eight projects in Latin America and the Caribbean, $39.3 million to five projects in Europe, $18.6 million to ten projects in Asia, $9.2 million to three projects in the Middle-East, and $4 million to five projects in Africa.

Of the cumulative total of $1,049.1 million invested by IFC since 1956, $465 million (44.3 per cent) has gone to Latin America and the Caribbean, $251.5 million (24 per cent) to Asia, $173.6 million (16.5 per cent) to Europe, $103 million (10.3 per cent) to Africa and $50 million (4.8 per cent) to the Middle-East.

Other investors in enterprises assisted by IFC in fiscal 1974 included 57 business firms and government agencies and 59 financial institutions. Of these, 67 were in developing countries, which provided $221.4 million, and 49 were in developed countries, which contributed $232.5 million.

IFC's investments during the year were all illustrative of the Corporation's assistance to the private sector in the developing countries, in strengthening local ownership and in supporting joint ventures between local and foreign capital.

Of the projects supported by IFC during the year, 10 in Brazil, Colombia, Iran, Israel, Mexico, the Philippines, Tunisia, Turkey and Yugoslavia, were wholly locally-owned. Another 19 were joint ventures between investors in developing and developed countries.

joint ventures

There were also two joint ventures between investors in developing countries themselves, India and Indonesia in a project in Indonesia, and India and Nigeria in a project in Nigeria.

Of the total of $1,049 million invested by IFC since 1956, $684.4 million, or about 65 per cent, has been committed in the last five years. This has been the period during which Mr William S. Gaud, formerly Administrator of the US Agency for International Development, has been Executive Vice President of IFC. On his retirement on August 31 last, Mr Gaud was succeeded by Mr Ladislaus von Hoffmann, Vice President of the Corporation. Mr von Hoffmann, who is German, was himself succeeded as Vice President by Mr Moeen A. Qureshi, Economic Advisor to the Corporation since 1970, who comes from Pakistan.

II

The following are the salient points made in the Annual Survey of the international investment climate contained in the IFC Annual Report for 1974:

The world's financial markets witnessed booming activity through most of 1973. International investment and trade had to contend with a worldwide system of floating exchange rates and extremely volatile conditions in foreign exchange markets, but the pace of business and investment activity in both industrial and developing countries are strong.

flow of investment

The flow of investment funds to the developing countries in 1973 was aided by the relatively liquid state of international money and capital markets for the greater part of that year.

Preliminary data on international capital movements show that the total flow of resources to developing countries (excluding most Euro-currency credits) exceeded $24 billion in 1973—approximately one-fourth higher in dollar terms than in the previous two years. According to OECD estimates, these transfers included some $11 billion in private capital flows, of which $5.9 billion represented direct foreign private investment (including investment in petroleum but excluding suppliers' credits) in developing countries.

There are no recent data on such direct foreign private investment excluding petroleum, but the indications are that the 1973 level did not differ significantly from the average over the past three-four years of around $1.8-2 billion...There appears to have been considerable emphasis on heavy industry—particularly petrochemicals, cement, iron and steel, and fertilizers....The emphasis on heavy industry, and the recent steep increase in equipment prices also contributed to larger individual investments during 1973.

A number of developing countries moved towards the establishment of

partners. There was also a continued tendency on the part of certain industries in developed countries, such as textiles, to look for possibilities of further expansion and decentralized production through new investment in low-wage developing countries...There appeared to be somewhat greater readiness on the part of foreign investors to join with local enterprises in export-oriented investments... There were also many more reported cases during the past year of joint ventures and other forms of collaboration between private enterprises in different developing countries.

While there are important differences in the attitudes of individual countries towards foreign private investment, there appears to be a well-defined trend on the part of many governments to increase national control and participation in key sectors of the economy and to place increasing emphasis on significant local participation in foreign-owned enterprises...

As in the past, there were several cases during the preceding year in which governments in developing countries decided to participate in, or to take over, foreign-owned investments. There appears to be increasing awareness that such policies should be implemented in an equitable fashion so as not to impair the investment climate.

The financial climate has become more clouded under the combined impact of receding economic growth in the industrial world, the quickening pace of worldwide inflation and the dramatic and wide ranging effects of the increase in oil prices...

important shifts

Important shifts in the pattern of international capital flows are unavoidable as a result of these developments...The emerging pressures have particularly serious implications for the financial situation of those developing countries which are heavily dependent on both oil and food imports...

The situation calls for close cooperation between different segments of the internationl financial community. It also underlines the need to evolve, during the transitional period, financial policies and procedures which engender confidence in both potential investors and borrowers so that the orderly functioning of international financial markets is preserved and there is minimum disruption in the flow of international capital.

During most of 1973, developing sought after in Euro-markets. The number of such borrowers rose considerably during this period (and) the maturity period of loans lengthened...In all, 40 developing countries borrowed over $9 billion equivalent in 1973 in the form of publicized loans; on a gross basis this was more than twice the 1972 level. Loans with a final maturity of 15 years...were reported in the case of official borrowers. Similarily, loans with a maturity of 7-10 years were reported to have been made to some established private companies in developing countries...Total Euro-borrowing by developing countries in 1973 is estimated very roughly to have been in the $11-$13 billion range.

stringent terms

During the first quarter of 1974, publicized borrowings by developing countries were still quite large—nearly $3 billion, or approximately equal to the average amount borrowed in each of the final two quarters of 1973. However, the lending terms became gradually more stringent and the number of developing countries in the market decreased. Even in the case of official borrowers from developing countries, there were fewer loans with maturity periods going up to 15 years...The liquidity squeeze was much more noticeable in the case of loans to private borrowers from developing countries: it became harder for such enterprises to borrow for more than 5-7 years....These trends became even more pronounced during the second quarter of 1974.

With the very large resources that are likely to accrue to oil-producing countries, there is the prospect of a steady growth in the inflow of capital into Euro-markets provided Euro-institutions can offer, with security and efficiency, the financial and investment services that will be required.

Euro-markets are not likely to lack borrowers, from developing and developed countries. However, a major uncertainty now overhanging Euro-markets concerns the extent to which reliance will be placed on them for balance of payments recycling in addition to genuine investment financing. For the Euro-markets to perform their function of financial mediation efficiently, and in an orderly manner, it will be necessaay to devise ways of achieving some coordination of borrowing...with the inflow of capital into the market. In the absence of any overall surveillance and coordination, it could prove extremely difficult to prevent continuing instability in the functioning of Euro-markets. Developing such instability...

The prospects of a massive increase in the flow of funds for investment and balance of payments purposes through Euro-markets have inevitably given rise to some concern about the financial strength and viability of Euro-market institutions...

The maintenance of confidence in Euro-market, and their evolution into a more orderly and truly international capital market will require concerted action in certain areas. These include the availability of reliable information on the market's operations and exposure, not only to achieve financial coordination, but also for purposes of day-to-day credit analysis and risk evaluation by the institutions operating in the market. Furthermore, in view of the growing number of institutions in the market, there may now be a need for some refinancing or "last resort" facilities which might be available to Euro-institutions in times of financial crisis. Finally, the formulation of some liquidity standards for Euro-market institutions may be expected to strengthen general confidence in the markets.

growing liquidity

IFC customarily obtains additional finance for the projects it supports through the sale of participations in its own loans. In this way the Corporation is able to fill a gap in the financing of a project while limiting its own exposure to an amount in keeping with the extent and use of its own resources...The growing liquidity squeeze during 1974 has led to increasing difficulties in IFC's syndication activity and the sale of participations.

Nevertheless, IFC has continued its efforts to organize investment financing in ways that meet the constraints of existting market conditions as well as the requirements of the borrowers. In some cases, for example, IFC has been able to secure additional financing at a floating interest rate while providing its own financing on a fixed interest rate basis, and on terms which make the total financial package match the borrowers' requirements.

Subject to conditions in the international money market, IFC is ready to continue to devise financing patterns which are in the best interests of the lending institutions, its borrowers and the developing countries.

—*International Finance Corporation*

able to take in most of the people most of the time. Nevertheless, it is surprising that the US Ambassador in India, Mr Daniel Patrick Moynihan, should have so readily swallowed hook, line, and sinker the story that the prime minister and her party are going in daily dread of a CIA threat to Indian democracy. It is true of course that the CIA has been one of the dirtiest instruments of international power politics in all history and it is true also that it has been playing with the lives of peoples and the fate of nations around the world. The complicity of this institutionalized embodiment of the Ugly American in the devilish skullduggery that has been going on in Chile is now being increasingly substantiated, involving in the process ever more deeply the Nixon administration (that was), inclusive of Dr Henry Kissinger (who, still, is).

Indeed, even the once golden reputation of the US Secretary of State as the knight in shining armour of the detente that has assured the world of peace in our time is being sadly besmirched. While reports from Washington indicate that he is being suspected in some quarters of having bank rolled or even masterminded the coup in Chile, I have heard local wags suggesting that, perhaps like Mr Guenther Guillaume (through whom Mr Willy Brandt came to grief), Dr Kissinger is also a communist super-spy, possibly with East German affiliations, who was planted at ex-President Nixon's elbow to subvert US foreign policy objectives and thereby jeopardize US security interests.

According to this coffee house gossip, on this reading of Dr Kissinger's probable role in Washington, it becomes extremely easy to understand why he was so keen on bringing about US *rapprochement* with China, what prompted him so gleefully to go out of his way to rouse suspicion in Japan as well as in the EEC about the new directions of US foreign policy and why he had been so persevering in promoting a global impression that, whether it was Taiwan, Bangladesh, Cyprus or even Israel, the United States had no interest in small or struggling countries except as pawns in the games he was constantly playing. If I am mentioning having Dr S.D. Sharma believing or pretending to believe in the truth of all this, it is only because I would like to point out that people like Mr Moynihan could do real harm to this country if they take seriously the prime minister's attempt to whip up a scare about the risk of Indian democracy being subverted by CIA activities in this country.

It is well known that, for some time now, the prime minister, the president of her party and some of its other leading members have been trying to insinuate, both directly and indirectly, that foreign agencies and foreign money have been encouraging and assisting demonstrations and agitations against the central government or some of the state governments. Indeed, it has been alleged with varying degrees of effrontery or cowardice that Mr Jayaprakash Narayan's movement itself must be held to be suspect on this count. Mrs Gandhi of course has taken to identifying herself and her party with democracy and democratic institutions in this country and it has therefore been easy enough for them to suggest and keep on suggesting that any attempt by anybody anywhere to question her right or the right of her party to hold office in perpetuity, or even to doubt the wisdom of her economic or other policies, must be deemed as a sin committed against the Holy Ghost of Indian democracy.

Mr Moynihan after all has been long enough in this country and, it is to be hoped, he has also been close enough to what is happening here to appreciate that, if Mrs Gandhi's administration is being criticized, or there is a building up of resistance to the corrupt or inefficient politicians or administrations she is upholding and supporting, it is essentially because the economic problems and difficulties of the nation have become so grave that millions of men and women are beginning to lose confidence in the competence or even the good faith of the prime minister and her government. In the circumstances, any attempt anywhere to suggest that alleged CIA activities are what this country has to worry about is to do real harm to the attempting to struggle against evils purely home-made.

Mr Tul Mohan Ram, it appears, is not mere hearsay; he surfaced in New Delhi a few days ago as an irrefutable, flesh-and-blood fact of our public life. Naturally, journalists thronged to his press conference to catch a glimpse of the most sought-after (and, I may add, the most wanted) man of the last session of parliament. Mr Tul Mohan Ram's explanation for his deferred public appearance was simplicity itself. He had been marooned, he said, in his flood-stricken village in remote Bihar and had been cut off from all contacts with the outside world. This was how he happened to miss all the fun and frolic of the debates in the two houses. An act of god, if ever there was one.

Mr Tul Mohan Ram has confirmed that he signed the famous memorandum, but he claims that he did so without acquainting himself with its contents since a friend had asked for his signature. This tendency to oblige people should not of course be held against him. Like Abou Ben Adhem, Mr Tul Mohan Ram, apparently, would like to go down on the books of the recording angel as one who loves his fellow-men. Perhaps not all fellow-men? At least not at the present moment. For, there is Mr Yogendra Jha. Mr Tul Mohan Ram's love for his fellow-men had embraced Mr Jha too once upon a time, but it does so no longer. Nothing hurts a trusting soul so much as finding its trust misplaced.

Dr Raja Srivastava, a biologist working at the Dr Pearay Lal Hospital at Lucknow, recently received in London a grant of £ 13,000 from the Lord Dowding Fund for humane research. As the description of the Fund indicates, the grant is intended to promote medical research designed to avoid vivisection or the use otherwise of live animals for experiments in the laboratories. In his work at Lucknow Dr Srivastava is reported to use mostly tissue material obtained painlessly from people. Indeed, he is said to be contemptuous of the view that animals must necessarily be used for research in drugs or medicines. A report in *The Guardian* quotes him as follows:

"I remember talking to an American scientist who had done animal research into a form of leukaemia, only to discover the results were not applicable to human beings—that was 30 years' work."

MOVING FINGER

V B

Reviewed by
Academicus

Evolution of standardization

Standardization—A New Discipline: Lal C. Verman; Affiliated East-West Press Pvt. Ltd, New Delhi; Pp 461; Price Rs 75.

History and Social Development Vol I : Elites in Modern India: B. M. Bhatia; Vikas Publishing House Pvt. Ltd; Pp 384; Price Rs 45.

Agricultural Administration and Institutions : Guy Hunter; Stanford University, USA; Pp. 231-251; Price not given.

A Diplomat Speaks : K.P.S. Menon; Allied Publishers; Pp 140; Price Rs 15.

Life and Culture of the Indian People—A Historical Survey : K. A. Nilakanta Sastri and G. Srinivasachari: Allied Publishers; Pp 284; Price Rs 30.

Problems of Unemployment in India : Edited by Mansur Hoda; Allied Publishers; Pp 89; Price Rs 25.

Standardization is progressively approaching the status of an independent discipline. Naturally *Standardization—A New Discipline*, which is the first of its kind on this vastly important subject, is extremely welcome. If anything the publication of a book of this kind was overdue.

Standardization is "the process of formulating and applying rules for an orderly approach to a specific activity for the benefit and with the cooperation of all concerned, and in particular for the promotion of optimum overall economy taking into due account functional conditions and safety requirements. "Some particular applications of the concept of standardization are units of measurement, terminology and symbolic representation, products and processes (i.e. definition and selection of characteristics of products, testing and measuring methods, specification of characteristics of production for defining their quality, regulation of variety and interchangeability, etc.).

wide coverage

It is obvious that standardization covers all aspects of economic activity of man such as engineering, industry, construction, agriculture, commerce and so on. The aims of standardization are to achieve maximum overall economy of (a) cost, (b) human effort and (c) conservation of essential materials and to ensure maximum convenience in use as standardization leads to simplification, rationalisation, interchangeability of parts and freezing of dimensions of components. Increased productivity, elimination of waste and reduction of inventories are the consequential benefits of standardization.

The author has traced the evolution of standardization movement from the beginning to the present day. Standardization in its broad sense has furnished "the base on which nature has created the universe." We find standardization in early pre-history in the form and shape of stone implements found in Europe, Africa and Asia. By the time the first World War broke out "standardization had been well recognised as an industrial process capable of ensuring productivity through interchangeability, not only within a given factory but also from one factory to another, and the importance of creating industry-wise standards and national standards slowly began to be realised."

20th century concept

International standardization movement began to develop early in the 20th century, when the electrical engineers and physicist began thinking of standardization. The second World War brought the urgency of national and international standardization even more pointedly to the forefront. Another factor which gave a spurt to the standardization movement during the post-war period was the establishment of the International Organization for Standardization (ISO) which has been making valuable contribution to the growth of world standards and the development of standardization as a discipline.

Dr Verman has done well to study the problems of standardization with reference to developing countries where it can play a very significant role. These countries suffer from all sorts of shortages and therefore standardization can help them to make the best use of available resources and push up productivity. They are also fortunate in this respect because unlike western countries which had to learn standardization from a scratch, they have the experience of western countries at their disposal. Of course they will have to bring about certain adaptations to suit their conditions. Planning for standardization began in India in right earnest since 1951 and at present the Indian Standards Institute (ISI) has been playing a very useful role.

The author has analysed in detail various aspects of standardization such as systems of measurement, mathematical tools, implementation, labelling, consumer problems and so on. The chapter on economic effects of standardization (chapter 21) is especially significant. The author has made an attempt to analyse the effects of standardization on materials, wages and salaries, power, machine and tool wear, stocking, handling and transport, maintenance, depreciation, performance and other improvements. But the author has done well to warn about some of the evil effects of standardization. Beneficial effects of standardization can only be expected if the standardization process has been carried out in a rational manner and implemented correctly. Uncalled-for over-standardization, gross under-standardization and wrong application of standards may lead to negative effects on the economy. It must be realised that standards are always on trial, that standards breed product sameness which may result in loss of customer appeal and sales and that standardization curtails inventiveness. Provided steps are taken to guard against these evils, standardization can be very fruitful especially for developing countries.

The novelty and importance of the subject, the author's articulate faculty of exposition and his method of presentation make the reading of this book both instructive and interesting.

Role of the Elite

B. M. Bhatia, a distinguished social scientist, has in the first volume of his book *History and Social Development* made an attempt to analyse the role of elite

uriosity to know what forces have been haping the course of Indian history, Bhatia's novel approach to modern Indian istory is thought-provoking.

History has been defined as "the re-ord of life of societies of men, of the hanges which those societies have gone hrough, of the ideas which have deter-nined the action of those societies and of the material conditions which have elped or hindered their development." Marx was the first social scientist to iew history that way. But Marxian formulation of historical process and evolution however suffered from a serious lefect. That defect according to Bhatia vas his exclusive attention to economic factor to the neglect of all other forces and motives that goad men to action. Of he two basic human intincts identified by Hobbes in the 17th century—materia-istic self-interest and love for power—the atter, according to the author, is more elevant to the study of society and istory. As Hawley has pointed out, "Every social act is an exercise in power, every social relationship is power equation and every social group or system is an organisation of power. "The totality fundamentally resolves itself into power relationships. This means, as Bertrand Russell has pointed out, "the laws of social dynamics can only be stated in terms of power, not in terms of this or that form of power."

motive force

The author's thesis in this book is that history is made neither by the masses nor by working classes but by the elites who from time to time assert themselves. The motive force behind elite action is acqui-sition of power. The elite conflicts that give substance and shape to the course of history centre round acquisition and retention of power. According to Bhatia, Indian history of the British period of about 190 years is one long story of power struggle among various elite groups in India. This book contains an extremely elaborate exposition of the above central thesis.

The British conquest of India proved to be the principal catalyst of change in Indian history, the Indian society having practically remained stagnant till the British conquest. Among other factors according for social revolution in India in the 19th century, the first place must go to English education. It was, accord-ing to the author, the English educated classes most of the members of which had middle class origin, that led the way in the fields of social, political and economic reforms of Indian society. This class came to constitute the country's elite. ponsible for the social, political and commercial revolutions that India under-went from 1858 to 1947.

It must be noted that this new elite did not constitute a single entity nor was there the existence of class cons-ciousness among its members who were drawn from varied sections of Indian society such as landed interests, traders, merchants, financiers and members of various professions like lawyers, civil servants, engineers, doctors and other intelligentia in the country. In other words the Indian social elite of the time was a political and not an economic class. The author is firmly of the view that with the elite of the country so constituted, the dialectics providing motion to Indian history are to be sought in the power conflicts of the elite rather an "in the system of pro luction and the exploitation of one social class by the other."

competitors for power

It was this English educated elite who came to demand in course of time English political institutions for India such as political and economic indepen-dence, parliamentary system of democracy and so on. They became the competitors for power against the British ruling class. Thus at the centre of the stage of Indian history of the period lay the struggle for power between the British and the Indian elites. The English educated middle class was the product of the British rule and it was left to that very class to challenge and destroy the British rule. It was this elite class that established the Indian National Congress which pioneered and successfully led the Indian national struggle for independence. It must be noted that the annual resolutions at the sessions of the Indian National Congress on mass poverty, famines in the country, tariff and currency controversies were less of econo-mic debates than political weapons em-ployed to attack the British rule in India. By 1947 the Indian elite had wrested power from the British imperial masters and itself turned into the country's ruling elite.

Before the country achieved political independence, the Indian elite itself had split thereby starting new dialectics of power within the overall national struggle for independence. According to the author, 'the Hindu-Muslim question, in the final analysis,' was nothing but the struggle between the elites of the two communities for power. The religious sentiments of the Muslim masses were aroused by the Muslim League to enlist their support for the Muslim elite's claim to a share in political power. Thus in the final analysis "both independence work of the Indian elite."

The conflict between the Brahmins and the non-Brahmins that developed in the Madras presidency during the inter-war period has also been interpreted by the author in terms of seeking of power by elites of the two communities. The non-Brahmin elite like its Muslim counter-part appealed to anti-Brahmin sentiments of the non-Brahmin castes for enlisting the mass support for its cause. The author has also explained the movement for the separation of Andhra region and the demand for separate Punjab state by the Akali Dal in terms of essentially elite conflict aimed at seeking power. All the communal parties and policies were largely a guise for elite's own struggle for power. The author has concluded that "Modern India is what its elites made it. Its history is, on the one hand, the his-tory of intra-elite power conflicts and on the other, the role and response of India's modern elite to changing historical situa-tions during the British rule."

It appears that the two-class model of Marx who attempted to interpret the course of history in terms of power struggle between the propertied and the propertyless classes does not seem to be applicable to India where the mass struggle in the true sense of the term has never taken place. Marx's neglect of the middle class and its influence on the evolution of history gives a distorted interpretation of the course of history. Bhatia's interpretation of the Indian history in terms of mutual power struggle among elites, though also one-sided like the Marxian interpretation gives a more satisfactory interpretation of the Indian history during the period of the British rule. Bhatia's approach would also seem to explain fairly satisfactorily the course of Indian history since indepen dence. Possibly this is what Bhatia will try to explain in the second volume which is to be shortly published and which will be eagerly awaited by students of social sciences.

Farm Administration

The name of Guy Hunter is well-known to the readers of these columns. His writings on the administrative aspect of agricultural development in developing countries show penetrating insight into these problems.

The booklet *Agricultural Administration and Institutions* contains an article by Guy Hunter reprinted from Food Research Institute Studies in Agricultural Econo-mics, Trade, and Development, Vol XII, No 3, 1973, published by Stanford University. It is worth pondering over

what Guy Hunter has to say in this article.

The fact of demography, employment and poverty necessitate a policy which is directly designed to improve the production and incomes of vast number of small farmers in India and other Asian countries. Fortunately it is no longer acceptable to argue that small farmers are irredeemably obstinate, conservative and non-economic men. The main trouble, according to the author, is the weakness of administrative and institutional tools for implementing a policy of small farmer development.

local conditions

However in respect of small farmers in a country like India policy-makers face an extremely wide range of local conditions. This has two implications. Broad generalised agricultural policy will have extremely limited applicability and secondly if agricultural problems are entrusted to a number of agencies or departments, the problem of coordination assumes great importance and often defeats the final objective. If on the other hand only one agency is entrusted with all the aspects of agriculture, the efforts are likely to be dissipated producing hardly any impact on the country's agriculture.

On the basis of his analysis of some persistent administrative difficulties such as the bureaucratic system and the problem of coordination, bureaucracy and politics, the choice of technology and problems raised by extreme poverty of small farmers, Guy Hunter has suggested various measures to overcome these administrative and other difficulties which are at present hampering the agricultural development in countries such as India. The author's recommendations are worth considering.

According to the author, there is need for far more accurate knowledge of the rationale of existing farm systems, investment in physical infrastructure and personnel, adaptation of research to the real state of farming system and so on.

Secondly, there is need for delegation of local policy-making to a local level. It is impossible to use the knowledge of farm systems or to adapt to the needs of particular phase of growth unless this is done locally.

The third requirement is to cut off departmental hierarchies at the same level and substitute a field service wholly responsible to this level concerned not with partial interests but with development. Simplification of the development structure at field level may be critical to success.

Fourthly, the author wants that the administration aims at, from the whole complex of political and democratic possibilities, an emphasis of practical participation at the most direct and local level.

Fifthly, there should be deeper analysis of the probable results of using various possible commercial institutions closely related both to the phase of growth and to technical issues.

In the sixth place, the author is of the opinion that there should be a revision of pricing and fiscal systems affecting modern technological imports and inputs so that the technology in fact used corresponds far more accurately to the economic realities of a farming system.

modernisation of farming

Finally the author has opined that there is a range of human situations moving along a line from traditional society to a modernised agricultural economy, and there is a range of technical solutions which have to be fitted to this changing local scene, both as to costs and benefits and as to the availability of skills. There is a range of administrative methods to choose from and again these must be fitted to the attitudes and capacities of the farming community, to the quality of the surrounding economy and also to the capacities of the administrative authority. It must be understood that the process of economic transformation can be effected by a myriad of micro-economic changes and not by a generalised economic-policy aiming at such transformation.

This has been the gist of the analysis and recommendations of Guy Hunter who has been writing on modernising backward agricultural communities for quite some time. Indian experience after independence would seem to validate the approach and viewpoint of the author. The highly centralised agricultural administration at Delhi and state capitals and highly generalised agricultural policies are mainly responsible for the extremely slow progress which Indian agriculture has been making since independence. But any radical change is so difficult in backward countries and bureaucracy is so obstinate in holding on to its power that one wonders whether the radical reforms which are recommended by Guy Hunter will ever be put into practice in India.

Indo-Soviet Relations

A Diplomat Speaks is a collection of speeches by K. P. S. Menon addressed to various audiences during his stay in Moscow as India's ambassador to the Soviet Union. These speeches covering a wide range of topics were delivered on occasions such as opening of Indian art exhibition, commencement of Moscow-Delhi air service, anniversary of Nehru's visit, Tagore centenary celebration and so on. Most speeches are of only topical interest and yet it would be instructive to trace the broad trends underlying those speeches of our senior ambassador.

The period 1952-61 when K. P. S. Menon was in Moscow was exceptionally interesting and important. India had just become independent and other countries in Asia and Africa followed suit with bewildering rapidity. The 'Vasco Da Gama Era' was coming to an end. The second World War was over but cold war had supervened. The idea of one world had proved illusory. Instead two worlds had emerged, two politico-military blocs headed by the USA and the USSR, and a third world was emerging in Asia and Africa. The problem was: how would this new world adjust itself to the new situation? Would it be content only to be an appendage of one or the other of the two Leviathans? Or would it work out its own destiny?

formative period

In the history of Indo-Soviet relations also the fifties were a formative period. It was, as the author calls, 'a period of mutual discovery.' It was during this period that the first Indian cultural delegation went to the Soviet Union, the first cultural agreement between India and the USSR was signed, the Indian epics Ramayana and Mahabharat as also dramas of Kalidas and Tagore were staged in the Soviet Union and Gandhiji was acknowledged as a great liberator of humanity.

Also fifties were not just a period of discovery but they were also years of development. It was during this period that the first trade agreement between the two countries was signed; that the first metallurgical complex was established at Bhilai; that the first machine-making project was established at Ranchi (to be followed by a host of other such projects); and the first shipping line between the two countries was opened. Those were the days when India appeared to enjoy a prestige out of all proportion to her military strength in the halcyon days of Jawaharlal Nehru. This was the background against which these speeches were delivered by K. P. S. Menon and it is only against this background that they appear relevant and significant.

Only certain significant speeches can be referred to here for many are of ex-

assador admitted that in the past certain deological distortions stood in the way f friendship between India and the Soviet Jnion; but he also pointed out that those bstacles were removed by decisions at he 20th Congress which recognised that here can be different varieties of socialsm, that there can also be different roads o socialism, that violence is not absolutey essential for the transformation of ociety and that parliamentary institutions an be a means to the establishment of ocialism.

These decisions were extremely welcome to India which had then proclaimed its goal of socialistic pattern of society and resolved to establish it according to its genius, traditions and environment. Then there is reference to he Bandung spirit and (ironically) praise of Dr Soekarno (who subsequently was to side with Pakistan against India) and reference to the interest of the Soviet people in foreign classics and their successful attempt at turning Kalidasa's Shakuntala into a beautiful ballet running to crowded houses. The author's statement on the tenth anniversary of Indian independence that "we do not need a giant's strength because we have no giant enemies" bespeaks of our senior ambassador's ignorance of the Chinese intentions against which Patel had already warned.

diplomatic exercise

The author's reference to the Russian researches and insight of Soviet leaders leading to the correct understanding of Mahatma Gandhi may be a diplomatic exercise. If sincerely meant, it only shows the naivety of the author for none knows when Gandhiji will again be dubbed as an agent of British imperialism and buorgeois leader! Also the author's rejoicings on the ground that all the past misunderstandings between the Soviet Union and India have been cleared might be more of diplomatic language than statement of facts and realities. The greetings tendered to His Majesty on the occasion of the visit to Moscow of the Emperor of Ethiopia appear a little paradoxical now that he is deposed by his own people! And again Menon's reference that the Soviet Union has taught him that not only individuals but nations with different background can co-exist happily together has to be taken with a pinch of salt and reservation. The eternal truth that in the international world there are no eternal friendships but that only common interests bring nations together and when those common interests vanish, former friends can again become deadly enemies must never be lost sight of.

A diplomat must keep his eyes open and his mouth shut. Reticence is an essential virtue in a diplomat. And yet a diplomat has to speak often on various occasions, formal and informal. Fortunately K. P. S. Menon's speeches are brief and mostly formal. They therefore cannot be a source of profound knowledge about the Soviet Union and developments there. The speeches are interspersed with humour which is typical of the author. The speeches are enjoyable and should be taken in a lighter vein. In later years K. P. S. Menon appears to have become a lover of the Soviet Union and all things Russian. This has naturally resulted in some loss of ex-diplomat's discerning powers often reducing him to the rank of a propagandist on Russian behalf.

Indian Culture

Life and Culture of the Indian People—A Historical Survey was first published in 1966 under the title *Indian Historical Survey*. It has been recast and up-dated in the present revised and enlarged form.

The book presents a panoramic survey of the march of events in the Indian subcontinent covering the Indo-Aryan, the Indo-Islamic and the Indo-European periods as also during the post-independence period. The authors have described fully the rich and variegated life of the Indian people through ages, the numerous waves of invasion and intermingling of races which subsequently resulted in a unique cast-ridden social system and a typical illusive approach to the world and world events. All these perplexities and paradoxes are described in detail in the first five chapters.

The authors have then described the emergence of modern India against the background of the rising tide of nationalism and struggle for independence. The process culminated in the attainment of political freedom and the partition of the country followed by reorganisation and integration of the princely states. In subsequent chapters the authors have described the making of the Indian constitution and the principles underlying the domestic and foreign policy evolved and followed by India. This is followed by the analysis of the new experiments in economic and social fields which have attracted the attention of the world and may serve as a model for other Asian and African developing countries. In the concluding chapter the authors have analysed the Indo-Pakistan conflicts and the recent geopolitical trends. The appendices contain valuable material on states and union agreement.

The two authors are eminent historians with deep knowledge of the currents and cross currents of Indian history. One is therefore extremely disappointed that they have written such an uncritical account of the Indian developments since the dawn of history to the present day. There are so many critical issues in Indian history like the arrival of foreigners such as the Mohammedans and the Europeans, their impact on Indian culture, non-assimilation of the Muslims with the mainstream of Indian life, withdrawal of the British power from India, partition of the country, adoption of the parliamentary system of democracy and of non-alignment policy and so on. Each of these issues is likely to invite controversy thus requiring critical analysis and assessment. Unfortunately the authors have evaded all such critical analysis and evaluation and have just recorded facts and events as they occured. The reading of this book may give a certain amount of knowledge regarding facts but it will certainly not give readers any insight into Indian history. The title to the first edition of the book was more appropriate and one fails to understand why it was replaced by the present one which is definitely misleading.

Problem of Unemployment

No problem in India is so serious as the problem of unemployment and yet none has received such superficial and scant attention as this problem. It must be realised fully that unless a satisfactory solution is found, the problem of employment would not only undermine peoples' faith in economic planning but would also undermine the foundations of democracy in the country.

Problems of Unemployment in India is easily one of the finest and most penetrating books on the subject that takes us to the very roots of the problem and recommends policies which are eminently suitable. The present volume is a summary of a conference which the Indian Development Group in London organised on the subject of unemployment in India. The participants included such eminent thinkers as Prof. Tinbergen and Dr. E. F. Schumacher and discussions at the conference covered various aspects of the unemployment problem in India such as the role of physical and human capital, trade and tariff policies (including import substitution and licensing policies), educational background and attitudes of people, sharp increase in

the role of public works programme and great regional variations in the country.

The articles by Prof. Tingergen, V.S. Mathur and others make valuable contribution to this complex subject. And yet the article by Schumacher is the most original and thought-provoking. Since Schumacher's article includes practically everything worthwhile said by other authors in this book, it would be advantageous to know the views of Schumacher in regard to the problem of unemployment in India.

According to Schumacher there are four essential conditions for getting more work done. First, there must be motivation; second, there must be some knowledge or technical know-how with which a person can work; third, there must be some capital to work with; and fourth, there must be an outlet, that is to say, after something has been produced, there must be some one who is prepared to buy it.

As regards the first, i. e. motives and motivation to work, the author maintains that he has very little to say on that point. If there are people who do not wish to better themselves, leave them alone. There are enough people who wish to better themselves.

fundamental question

The author has many worthwhile things to say on the second aspect, namely education or technical know-how. If people want to better their lot, who is going to show them the way, for if they knew how to do a thing already, they would already be doing it and not remain idle and unemployed. This raises a fundamental question. What is education and what is education for? Some one has worked out that it takes 30 peasants to keep one student at a university. A five-year course at the university by a single student would cost 150 peasant-work-years. Why do it? Who has the right to appropriate 150 years of peasant work? What do these peasants get back when the student gets his university degree? Is education to be conceived as a passport to privileges? Or is education something which people take upon themselves like a monastic vow? Should not education take me back to my people who have paid for my education by 150 years of their work? Having consumed their work, should I not feel in honour bound to return something to them? This implies reconstruction of the entire system of education in the country to enable the educated people to contribute some-

tion which sets them apart from the masses and helps them preserve and enjoy the privileges. This problem will have to be solved at the political level.

As regards the third, namely capital, the author has some very significant and unconventional things to say. The biggest single collective decision that India will have to take is the choice of technology. Are you going to have a few jobs at a very high level of investment per head or many jobs at a relatively low level of investment per head? It is strange that the question how much we can afford for each work-place when you need millions of them is hardly ever raised. At the level of technology which India is trying to adopt often by importing technical know-how and capital

dependence.

The choice of technology is the most important choice for India. It is of pivotal importance. "The problem of unemployment in poor sections is solvable only if one achieves what one might call agro-industrial structure which enables the people in rural areas to use their labour power for providing most of their basic requirements themselves." Simple capital equipment which Indian labour can produce without any assistance from foreign technical know-how or capital equipment or imported raw materials can help build rural roads, houses, tanks and wells and various other agricultural assets which can push up agricultural output. Man has been producing basic requirements

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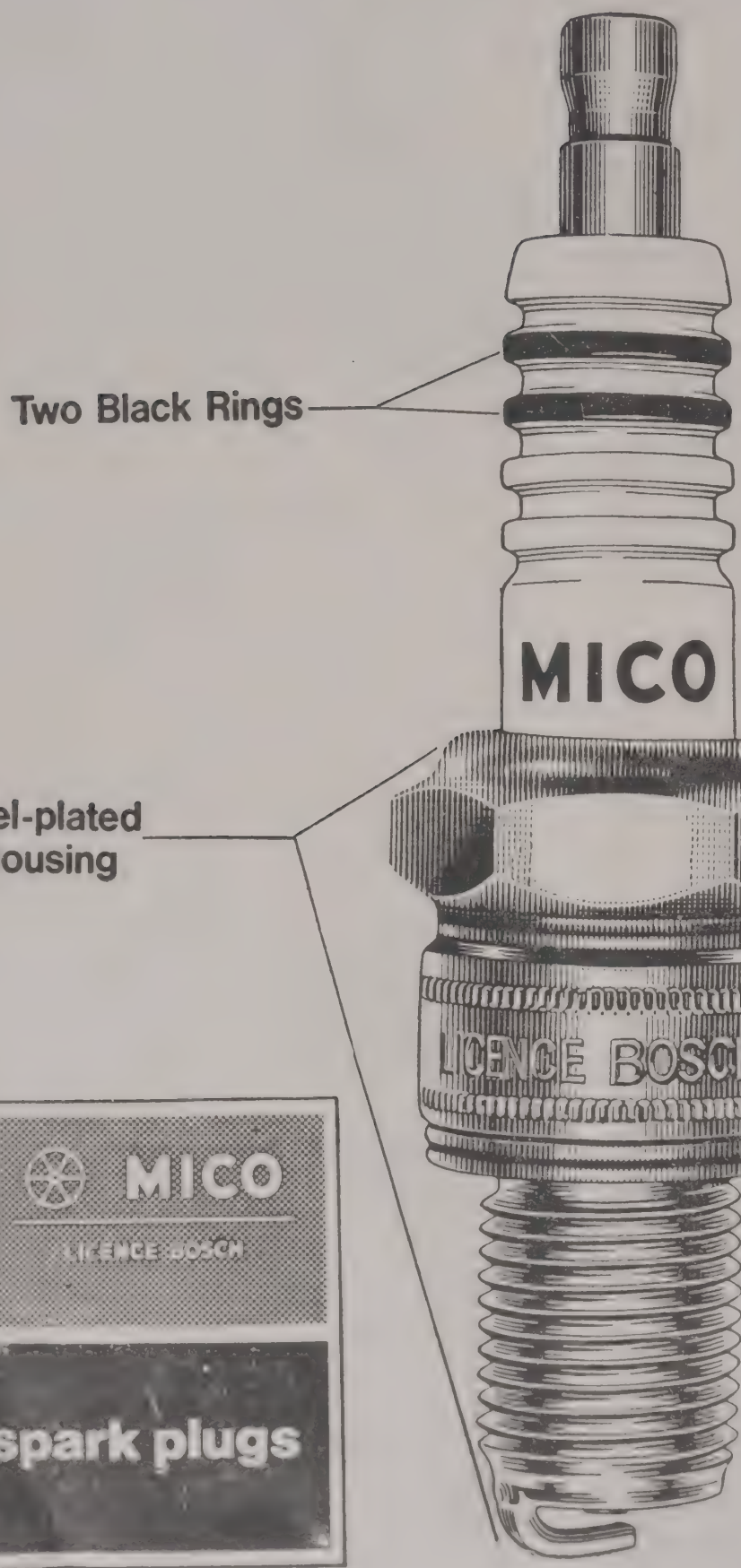
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life for quite long without the use of ment, steel and electricity!

As regards markets also the author s some original things to say. If the ove line of argument in regard to pital needed by developing countries ch as India is followed, one can at once the absurdity of the view that un- s developing countries export more d more, they cannot develop. The thor has shown how by putting new rchasing power into the hands of the ral community through massive public rks programme financed from out- le and also by producing supplemen- ry and complementary goods and rvices, it is possible to create the cessary markets. It is misleading to y that export markets are specially portant for development. "After all, r mankind as a whole there are no ex- rts. We did not start development obtaining foreign exchange from ars or from the moon. Mankind is a sed society and India is big enough be a relatively closed society in that nse."

There is splendid model-building by ever men at the Planning Commission. ney have a certain fixation in mind that without cement, electricity and steel nothing or not much can be done so also without the latest technique. Schumacher condemns this attitude as 'a sort of degeneracy of the intellect'. "I should like to remind you" he says, "that Taj Mahal was built without electricity, cement or steel and that all the cathedrals of Europe were built without them."

The greatest deprivation any man can suffer is to have no chance of looking after himself and making a livelihood. That means if the problem of unemployment is not attended to with all the seriousness that it deserves instead of dealing with the problem with an occasional crash programme, the whole thing is bound to explode sooner or later. Unfortunately the whole thinking of the Planning Commission on this subject is so woolly headed all along that the problem is becoming more and more acute. Conventional methods having failed, some bold and unconventional approach is absolutely necessary to solve the problem of unemployment in India. This brief article of about 15 pages by Schumacher possibly contains more sense than all the five-year Plan drafts and pronouncements by ministers.

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TRADE WINDS

Indo-Soviet Trade

INDO-SOVIET trade for 1974 will run at the level of Rs 650 crores, according to estimates of the Working Group on Trade of the Joint Commission on Economic Cooperation recently in session at Moscow. India will have a favourable balance of about Rs 90 crores. The estimates take into account the Soviet assurance that deliveries of Soviet export items like fertilisers and kerosene will be completed before the end of the year. A contributing factor to the successful fulfilment of commitments for 1974 was advance contracting. On the basis of this experience it was felt contracting for 1975 should start early so that deliveries become effective from January.

The general view of the Working Group was that the Trade and Payments Agreement, which would expire in December 1975, provided a satisfactory framework for successful conduct of trade and, therefore, should be extended for another five-year period ending 1980.

The Group agreed that the first round of negotiations for 1975 protocol should be held in Moscow in the middle of next month followed by a second round in December in Delhi where the protocol might be signed. On the long-term agreement for 1976-80 preliminary discussions should start at the same time as for next year's protocol and conclude as early as possible in 1975. The Group called for an early meeting of specialists to decide upon the programme of supply of ships from the Soviet Union during 1976-80.

The Group identified areas of trade exchange in the field of electronics—India being interested in import of computers, computer peripherals and electronic components and the Soviet Union in import of computer software. Trade in these items would be augmented by the conclusion of agreement on cooperation between the two countries in the field of electronics.

Ordinance to Detain Smugglers

President Fakhruddin Ali Ahmed recently promulgated an ordinance to enable the detention of smugglers under the Maintenance of Internal Security Act.

The ordinance will be known as Maintenance of Internal Security (Amendment) Ordinance, 1974. So far the offence of smuggling was not covered by the MISA. There had been a strong demand that MISA be made applicapable to smuggling in the same manner as it was to hoarding and black-marketing. With this ordinance the government would have the power to detain for one year any person indulging in smuggling, abetting smuggling or dealing in smuggled goods. This power would cover foreigners also committing this offence.

Oil Prices

The prices of petrol, kerosene, diesel and furnance oil have recently been raised by five to six paise a litre. This has been done to "partly compensate" the oil refineries who have been incurring losses on account of the high price of imported crude oil. The price of cooking gas has also been increased by Rs 1.09 for a 15 kilo cylinder. The revised prices for a litre with old prices in brackets are: motor spirit Rs 3.27 (3.21); superior kerosene Rs 1.07 (1.02); high speed diesel oil Rs 1.11 (1.05); light diesel oil Rs 1.06 (1.01); and liquid petroleum gas for a 15 kg cylinder Rs 27.36 (26.27).

The announcement by the ministry of Petroleum and Chemicals does not indicate the yield likely to accrue from the revised prices. The ministry stated that the oil companies have been suffering a loss of Rs 12.3 crores every month since March last because they had been barred from raising the prices of petroleum products. The new prices absorb the marginal increase in petroleum product prices in some parts of the country owing to the revised railway freight rates.

The new price hike will not apply to fuel oil, high speed diesel oil and light diesel oil used by coastal and international shipping lines. Apparently, the government is keen to avoid annoying the shipping lines and possible decline in port traffic, especially of foreign vessels.

Sugar Export

The sugar industry has made an offer to State Trading Corporation (STC) to sell 110,000 tonnes of sugar from its free sugar quota at Rs 3,400 a tonne for facilitating sugar exports. The STC, however, has turned down the offer as it could not straightaway accept it without going through the formalities of inviting tenders as laid down in the rules. The STC has, therefore, invited tenders from sugar manufacturers. Tenders closed on September 24. The State Trading Corporation, which had been exporting levy sugar allotted by the Agriculture ministry till now, had to go in for tenders to meet its export target of 500,000 tonnes. It has already entered into contracts with various parties for export of about Rs 300 crores worth of sugar.

Mr Pradeep Narang. a spokesman of the Indian Sugar Mills Association (ISMA), told newsmen that the association had made the offer to sell sugar at Rs 3.40 a kilo to help the government's export efforts. The sugar industry could get a better price if it sold the free sugar in the Indian market. He said if tenders were invited, it would have the effect of escalating the market price of free sale sugar. The STC, he said, could get substantial profits if the association's offer was accepted. By inviting tenders, the STC could get sugar only at higher prices then offered by the association. The STC sources, however, refute the argument of the association that the price of Rs 3.40 a kilo was a concessional one. Though they agreed that the STC could still make a profit at this price because of high international price of sugar which is above Rs 6 a kilo.

National Income

The per capita national income, at constant (1960-61) prices, has gone up marginally during the financial year ended March 1974, after successive falls in the previous two years. This is indicated in a study of the estimates of national product, savings and capital formation based on a white paper brought out by the Central Statistical Organisation (CSO). The domestic product (national income) at constant (1960-61) prices would have gone up in 1973-74 by less than four per cent over the CSO's quick estimate of Rs 19,273 crores for 1972-73. This assumption is on the basis of the indices that are available so far relating to agricultural and industrial production trends last year.

The per capita national income at 1960-61 prices was Rs 337.5 in 1972-73 according to CSO's quick estimates. At current prices, the per capita national income is placed at Rs 687.6 in that year, showing an increase of 6.5 per cent over 1971-72, where as at constant prices there was actually a decline of 1.8 per cent in that year.

Problems of Aluminium Industry

The aluminium industry had run into "avoidable distress" and the remedy, sim-

he government, according Mr D. P. Mandelia, Special viser, Hindustan Aluminium rporation. The distress of industry stemmed mainly n the factors: power-starva- n and unreasonable and conomic level of controlled es, he said. If the present talled capacity of power eration and its distribution ld be managed even at the ndard level of efficiency, the eds of the agricultral and industrial sectors could be ly met even today, he essed.

Mr Mandelia was addres- g a meeting organised by Bombay Shareholders' sociation to focus attention the people and the govern- nt on the problem facing aluminium industry. Mr ndelia explained that while thermal power plants uld work at more than 75 r cent generation-level, most the stations in the country re returning a figure of less n 40 per cent. The thermal nt of the Hindustan Alu- nium Corporation (HIND- CO) was generating nearly per cent of the installed pacity.

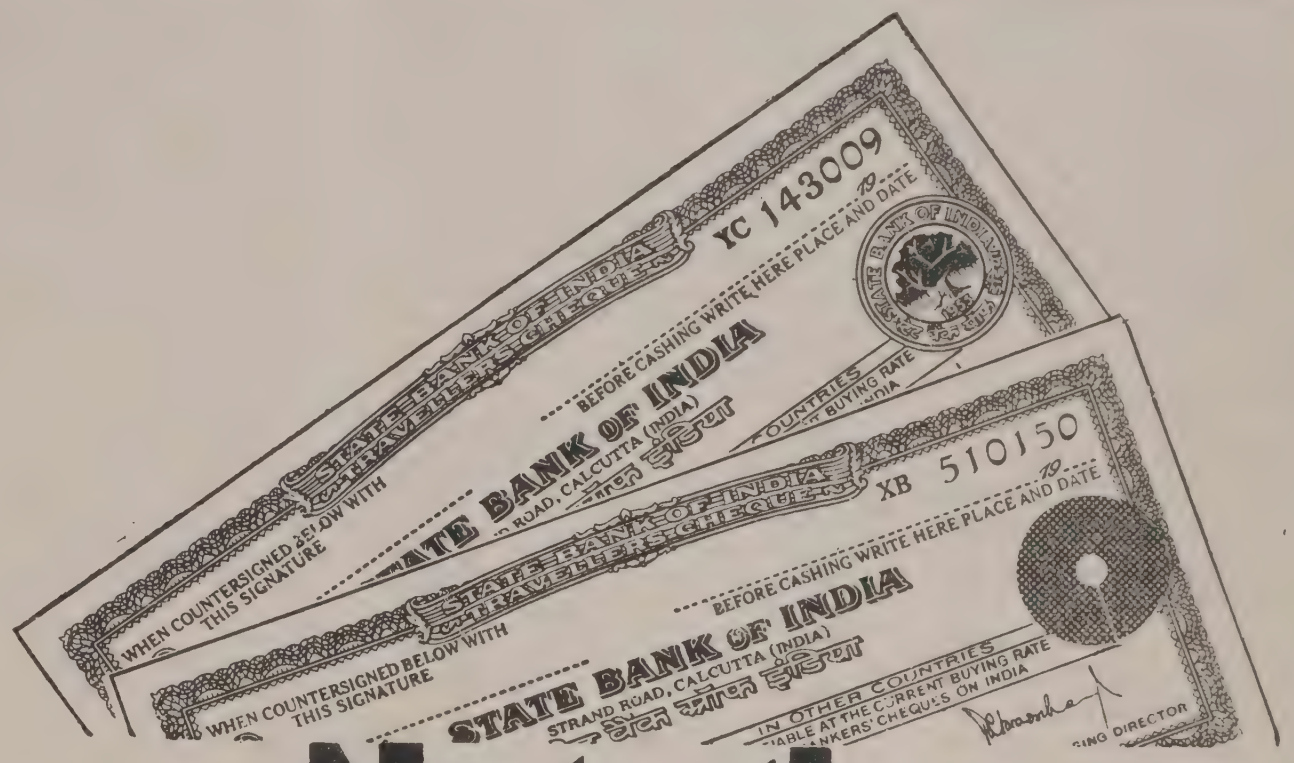
He revealed that at present per cent (more than 85,000 nnes) of the installed capa- y of the industry was idle cause of power shortage. added that after a long it, the price of aluminium s revised by the government Rs 1,090 per tonne in May t against an increase of 2,160 per tonne in the st of production. The price imported ingots was 13,478 and that of the in- genous ingots Rs 7,112 per nne. He also stated that minium was selling at ices much higher than the ntrolled rates. The losers re the industry and the vernment which was not tting taxes on the "ad- ional charges." The finan- rs were getting poor returns their investments.

Ilni Steel Plants

The union minister for eel, Mr K. D. Malaviya, eaded recently for establish- ing 1,000 mini steel plants within the next 25 years. Mr Malaviya said that he was aware of the present production constraints of the mini steel plants—the shortage of power and steel scrap. But he was confident that the shortages would not last beyond three to four years. The big steel plants, he said, needed huge capital outlay—Rs 1,500 crores to Rs 2,000 crores for one plant. With the present shortage of capital, the government could not afford to invest such a large amount on one single project. These plants also require long gestation periods which only generated further inflationary pressures.

Loan for Indian Airlines

Mr P. C. Lal, Chairman of Indian Airlines Corporation, concluded recently two loan agreements designed to help finance purchase of three new Boeings 737. The acquisition of the new aircraft, first of which is due to be delivered by the end of September, 1974,



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would enable the IA to start several additional flights on trunk routes and revive some services suspended owing to paucity of carrying capacity. The three Boeings are in addition to the one already purchased to replace the aircraft lost in a crash last year. Mr Lal said the last of the new aircraft should be delivered by November raising the IA jet fleet to ten. Among the new services under contemplation he mentioned an additional daily flight between Delhi and Calcutta and one between Bombay and Calcutta. A service would be started between Bombay and Trivandrum via Goa and another would link Delhi and Kathmandu.

Indian Council of Arbitration

Presiding over the annual meeting of the Indian Council of Arbitration, Mr K. K. Birla stated that trade and industry prefer arbitration to litigation in courts because of two evident advantages—expeditiousness and its compartively less expensive character. Mr Birla referred to complaints by businessmen from developing countries that arbitration regarding international disputs was mostly held in advanced countries though the facts and circumstances of the case warranted arbitration being more conveniently held in developing countries. The parties from the developing world had difficulties in securing adequate foreign exchange for putting forward their defence in foreign countries. He suggested that guidelines should be framed for deciding the venue of arbitration.

He also favoured the practice of giving reasons for the award though it was not obligatory at present. He pointed out that in common law countries such as the UK and India, the general trend of opinion was in favour of giving reasons. This was because reasoned awards would provide healthy precedents and useful principles for the benefit of the commercial community in arranging and entering into agreements as well as for arbitrators to decide future disputes under similar circumstances. Mr Birla disclosed that the Indian Council would be hosting the fifth International Arbitration Congress in New Delhi in January, 1975.

Marketing Management

In recent years, rapid technological advances have generally underscored the importance of the marketing function in the management of business. Revolving around the wants and wishes of the consumer, in Indian context—of present day economy of shortages—the marketing concept does not lose any of its significance. In advanced countries, emergence of self service stores and cafeterias, super markets, beauty parlours and above all, television have brought about revolutionary changes in consumer's life style, which a marketing man would overlook at his peril, says Mr Parks Chrestman, Managing Director, Goodyear, India.

Inaugurating a marketing management course at Agra, he stressed the importance of applying scientific marketing managemeut principles to the Indian economy. This, he added, represents a limited consumer market and offers constraints of limited raw material availability and power paucity both of which restrict the entrepreneur's freedom to develop and produce goods. However, an ingenious marketing man utilizes scientific management know-how to purchase raw materials with skill, produce, distribute and service products that are designed to meet costomer needs and choices at fair prices. Comparing marketing in a shortage economy to tight rope walking, Mr Chrestman commended use of all the techniques pertaining to a competitive market, but tempered with balanced discretion to keep the dealers and consumers happy within the limits of product availability.

Pacific 21

This country has been invited to participate in Pacific 21, a Pacific nations exhibition, festival and conference celebrating the United States Bicentennial. The three-month programme emphasizing the future of the Pacific Basin in the 21st Century will open in Los Angeles, California in 1975.

Opening on June 21, 1975 with formal dedication on July 4, Pacific 21 will continue until September 21, 1975. It will present an international fair to be staged in Los Angeles' unique Century City complex. Pacific nations have been asked to celebrate the bicentennial with a demonstration of their relationships with the United States—past, present and future. Thirty-five Pacific basin countries, four states and several territories and possessions have been invited. Four countries—Chile, Taiwan Malaysia and Korea—have already reserved space or indicated they will build exhibits and bring entertainment to the event. More than a dozen others who have expressed strong interset in participating, include Canada, Colombia, Hong Kong, Japan, New Zealand, Singapore, Thailand and the USSR. Others, including Australia, Costa Rica, Fiji, New Caledonia, Peru, Sri Lanka and Tahiti are actively considering participation.

Mexico Ratifies Tariff Preferences

Mexico has ratified the Protocol for exchange of tariff preferences. This has come into effect from August 29, 1974. The offer list of Maxico includes steel sleepers, rail for railways, handtools, steam turbines, hydraulic turbines, gas turbines and weaving and knitting machines. The preferences offered on these items vary from 25 to 50 per cent of their standard rates of duty. In February, 1972, 16 developing countries, including India, had signed a protocol under the aegis of GATT providing for exchange of tariff preferences among themselves on the basis of agreed lists of items. The Arrangement came into force in February, 1973, when half of the signatory countries ratified the protocol. Of the 16 signitories, 11 countries had ratified the protocol till May 1974. These include, among others, Brazil, Chile, Egypt, India, Republic of Korea, Spain, Tunisia, Turkey and Yugoslavia. The tariff preferences offered by these developing countries vary from five to 50 per cent on their standard rates of duty. The preferences include many items of export interest to India such as shellac, guar gum, marine products, castor oil, biscuits and confectionery, carpets, cotton yarn, perfumes and cosmetics, sport goods antibiotics, medicaments paints and varnishes, motor tyres and tubes, agricultural implements, iron and steel, aluminium and copper items, rails, cutlery, inter-changeable tools, lathes, boilers, electric generators, electric lamps, refrigerators and telephonic and telegraphic apparatus. India also grants preferences on some 27 items under the protocol.

NSIC Lending Rates

The National Small Industries' Corporation has increased its lending rates by two per cent, for supply of machines on hire-purchase. The interest rate for technocrats and units located in declared backward areas will now be one per cent and for others it would be 13-1/2 per cent. The NSIC will, however, continue to allow a rebate of two per cent in case of hire-purchase instalment is paid before the due date.

Names in the News

Mr Bhogilal (Manubhai) N. Kothary and Mr Brijmohan Khanna were unanimously elected as Chairman and Vice-Chairman respectively at the annual general meeting of the Silk & Rayon Textiles Export Promotion Council held recently. At the above meeting the following were also elected as members of the Committee of Administration. Messers J .H. Manglani, A. S. Kasliwal, V. P. Patel and K.R. Mehra.

COMPANY AFFAIRS

Mild Recovery

THE SHARE market, which has suffered most probably the steepest fall in the past two-and-a-half months taking the all-index share price index fairly close to its 1973 low, staged a mild but noteworthy rally last week with prices registering a modest all-round rise. The sentiment was aided by the cheerful reports that the government would take a liberal attitude towards regularising the capacities of industrial units which had effected expansions without prior sanction of the government. In the context of prevailing shortages of a number of commodities and the sluggish economic growth, this decision was interpreted in market circles as a realistic change in the governments' economic thinking. The operators also welcomed the agreement signed recently with Moscow to raise the capacities in the core sectors of the economy. The possibility of granting some concessions to the exporting units also enlivened the market sentiment.

In the Bombay Stock Exchange, Century rose at the week-end to Rs 468 from the previous week's closing of Rs 459.50, Gujarat Fertiliser to Rs 442 from Rs 440, Century Enka to Rs 430, from Rs 405 and Telco to Rs 207.50 from Rs 201.50. The Calcutta Stock Exchange was slightly in a better shape during the week under review. Caution continued to be the keynote of trading followed by profit-taking at every bulge. The immediate prospect of return by way of dividend being bleak as a result of dividend restrictions operators were reluctant to enter in a big way. Investors were completely absent from the market.

The slight recovery was attributed to markets oversold position. After opening on an easy note, Indian Iron improved somewhat to close at about Rs 5.50, Guest Keen Williams was barely maintained while Texmaco and Indian Aluminium were fairly steady. In the cash section activity was extremely limited with selected shares gaining small ground. There was a mild improvement in trading on the Madras Stock Exchange during the week. The absence of much selling pressure and the anxiety of some professionals to buy at lower levels from the short-term view also contributed to the improved performance. There were also indications of prices of selected shares stabilising at lower levels.

India Pistons

India Pistons Limited, one of the leading and well-known automobile ancillary units in the country, is currently celebrating its silver jubilee. It was formed in collaboration with the Associated Engineering Group of the UK, one of of the largest light engineering concerns in the world. Over the years India Pistons have maintained its magnificent record of a steady growth rate of 20 per cent per annum as its lead in the auto-ancillary field. The same foresight that helped the company to become the pioneer manufacturers of piston assemblies in the country has enabled it to be in the vanguard of the industry by undertaking two major expansion of capacity. This Rs 6.5-crore expansion scheme when completed would raise production of pistons to 24 lakhs from the present level of 15 lakhs while the output of piston rings would be doubled to 180 lakhs. Production of gudgeon pins would also be stepped up by 13.5 lakhs to 30 lakhs. The turnover which is at Rs 8 crores at preent would touch Rs 16 crores when the expanded capacity is in full operation. Its record in the field of exports is equally commendable. Its total exports have crossed the Rs 2-crore mark and intensive efforts are being made to increase the annual level of exports to Rs 1.5 crores within the next five to seven years. The company also had the foresight to establish a nucleus of an R & D effort as early as in 1966. This proud record of India Pistons in the fields of manufacturing, R &D, machine tool development and service has enabled it to sponsor a joint venture project in Malaysia for the manufacture of these vital automobile ancillaries with indigenous know-how and technology. It is gratifying to note that Malaysia Pistons Sdn. Bhd. had gone into commercial production within a record time and its products are already in the market.

Jay Engineering

The demand for the products of Jay Engineering Works Ltd has been affected by the inflationary situation in the country since sewing machines and fans tend to have lower priority when the domestic budget is under pressure of high prices for the essentials. Consequently the revenue from sales, including other income was lower at Rs 17.75 crores during the year ended March 31, 1974 as compared to Rs 20.14 crore in 1972-73. Production of sewing machines during the year was affected considerably due to a near six-month long strike at the Calcutta factory. As a result the output of sewing machines was much less during the year under review as compared to the preceding year. The economics of this unit has however started responding somewhat to profit improvement measures and if its operations continue unhindered, the unit might show improved results in course of time.

Production of fans at the Calcutta factory too was lower on account of the strike referred to above. Production at Hyderabad and Agra factories was higher than last year. The Sri Lanka affiliate continued to make satisfactory progress in spite of foreign exchange stringency in that country. The working of the company during the year has resulted in a net profit of Rs 16.10 lakhs as compared to Rs 11.27 lakhs in 1972-73. The net profit has been arrived at after providing Rs 55.33 lakhs to depreciation reserve, Rs 9.00 lakhs to development rebate reserve and Rs 11.40 lakhs to taxation reserve as against Rs 40.75 lakhs, Rs 3.50 lakhs and Rs 34.30 lakhs provided respectiveiy in 1972-73. Keeping in view the limits prescribed by the dividend ordinance the directors have recommended dividend only on preference shares at 10 per cent. This will absorb Rs 5 lakhs and will be paid out of the general reserve.

Indian Cable

Despite many constraints and unprecedented difficulties Indian Cable Company's gross sales during the year ended March 31, 1974 at Rs 25.39 crores were marginally lower than the record figure of Rs 25.73 crores attained in the preceding year. But the pre-tax profit was disproportionately low at Rs 153.37 lakhs as compared to Rs 216.31 lakhs in 1972-73. The adverse effect of power shortages on production, relentless escalation in operating costs as a result of

inflation and the runaway prices of raw materials causing lower returns on orders booked earlier, were by and large the major contributory factors responsible for the setback in profit. Notwithstanding these strains and handicaps, the company continued to give greater and closer attention to increasing its operational efficiency and to developing more and more sophisticated types of cables. The company continued to gain ground in the export field and obtained orders for the first time from Poland and Hongkong. Exports for 1973-74 at Rs 177.85 lakhs were Rs 11.76 lakhs more than 1972-73. The current year's exports are running at an even higher rate with orders flowing from Kuwait, Hong Kong, Sarawak and the USSR.

The company has earned during the year a pre-tax profit of Rs 153.37 lakhs as compared to Rs 216.31 lakhs in 1972-73. After providing Rs 86.00 lakhs for taxation, the net profit amounted to Rs 67.37 lakhs as compared to Rs 88.51 lakhs in the previous year. After adding Rs 7.79 lakhs being the provision for taxation no longer required, the profit available for appropriations amounted to Rs 75.16 lakhs as against Rs 93.55 lakhs in the previous year. Out of this, a sum of Rs 6.32 lakhs was transferred to development rebate reserve, Rs 3.00 lakhs to debenture redemption reserve and Rs 65.84 lakhs to general reserve as against Rs 3.92 lakhs, Rs 3.00 lakhs and Rs 86.63 lakhs provided respectively in 1972-73. The directors have recommended an equity dividend of 10.8 per cent for 1973-74. It will absorb Rs 50.94 lakhs and will be paid out of the general reserve.

Bharat Steel Tubes

Bharat Steel Tubes is setting up a project for the manufacture of hand tools at Aurangabad, an industrially backward district of Maharashtra and foreign collaboration arrangements have been approved by the government. Project cost and other details are being finalised in consultation with the technical collaborators. Bharat Gears Ltd in which the company has subscribed to equity shares worth Rs 39.07 lakhs, successfully commissioned its Rs 5 crore automobile gears plant in a period of less than 18 months after the public issue. Apollo Tubes Ltd, a project for the manufacture of steel pipes which is being set up in the industrially backward district of Tamil Nadu and in which the company has subscribed to equity shares to the tune of Rs 20 lakhs is expected to commence production towards the end of this year. The company is providing technical know-how, engineering services and supervision for the implementation and commissioning of this project. The company is also participating in the promotion of an automobile tyres and tubes plant in Kerala viz. Apollo Tyres Ltd. The project is being set up with the technical collaboration of General Tire International Company of the USA.

The company has been registered for the manufacture of pipe manufacturing plants. A pipe mill manufactured by the company after successful trials, is under installation at Apollo Tubes plant in Tamil Nadu. The technical collaboration agreement with Abbey Etna Machine Company, USA, expired on September 15, 1973. The company has developed its skills in tube technology through constant innovation, research and high priority on quality standards. It is now fully competent with its team of highly skilled Indian engineers to be able to provide technical know-how and engineering services both within the country and abroad.

Bharat Bijlee

Erratic and insufficient supply of raw materials, particularly stampings for the motor division, coupled with difficulty in raising selling prices has adversely affected the working of Bharat Bijlee Ltd during the year ended June 30, 1974. With a drop in sales from Rs 5.96 crores to Rs 5.69 crores, gross profit declined to Rs 68.15 lakhs from Rs 88.91 lakhs in 1972-73. The directors have recommended an equity dividend of eight per cent on the enlarged capital as compared to 15 per cent paid in the previous year. The entire dividend is expected to be tax-free in the hands of the shareholders as in the previous year. Out of the gross profit, the directors have provided Rs 13.33 lakhs to depreciation reserve, Rs 1.98 lakhs to development rebate reserve and Rs 27 lakhs to taxation as against Rs 11.74 lakhs, Rs 1.67 lakhs and Rs 50 lakhs provided respectively in 1972-73. This leaves a net profit of Rs 25.84 lakhs as compared to Rs 25.50 lakhs in the earlier year. Equity dividend will absorb Rs 6.40 lakhs as compared to Rs 9.00 lakhs in the preceding year while preference dividend will claim Rs 2.79 lakhs, the same as in the previous year.

British Airways

British Airways' annual report for 1973-74, warns of tough years ahead. The cost increases of £174 million forecast for 1974-75 have already engulfed the estimated financial benefits from merging the air corporations — conservatively put at £50 million—as well as the rising profits that had been expected. Even so, British Airways is and will be in better financial shape than its competitors, particularly when the full benefits of rationalisation have been realised. The report records a net profit of £16.6 million in 1973-74—£60.9 million before payment of interest and tax. A return on net assets of 11.7 per cent was achieved compared with 6.7 per cent the year, before, and a dividend of £6.1 million was paid to the government. Turnover increased by 20 per cent to £647 million while costs increased by 16 per cent to £586 million.

The results for 1973-74—the first year in which a centralised management controlled the companies and corporations within the group—justified the creation of British Airways. A major task in the year ahead would continue to be the rationalisation of activities and organisation to maximise the

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benefits of the merger. Taking the airline divisions individually, the report shows that European division increased its scheduled passenger traffic by 11 per cent, while earning a gross revenue of £212.8million and making an operating surplus of £16.4 million Overseas division increased its gross revenue by 21 per cent to £323.6 million, returning a record operating surplus of £36.4 million. The Regional division, operating in a difficult area of civil air transport and in an unstable economic climate, finished the year with a loss of £1.2 million even though Northeast and Cambrian managed to make a small profit. British Airways Travel division, which sells all of British Airways' services throughout the UK, earned revenue for the airline of £211, million, 22 per cent up on the previous year. Business traffic was particularly buoyant and inclusive tour traffic rose by 27 per cent.

British Airways Helicopters made an operating profit over £500,000 and prospects for the company are said to be excellent.

Surrindra Stein Malt

Surrindra Stein Malt has commenced commercial production from June 1974. There has been delay in the execution of the project mainly due to power cut in UP and late delivery of certain essential building and fabrication materials. Nevertheless the company's project for manufacturing 6000 tonnes of malt by modified seledon system with complete automatic process has been completed without any overrun. The company has already received sizable orders from leading breweries and health drink manufacturers and supplies are being effected. The company hopes to produce in the current year ending December 1974 about 1000 tonnes of malt valued at Rs 30 lakhs. In 1975 it hopes to produce about 5000 tonnes of malt with a turnover of Rs 1.50 crores. Steps are also being taken to instal a generating set to insu-



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Hindustan Sanitary-ware

The problems and the prospects of Hindustan Sanitary-ware and Industries Ltd were dealt with by the chairman while addressing the annual general meeting of the company. Production in the first four months of 1974-75 (April-July 1974) was slightly lower at 1773 tonnes as against 1904 tonnes during the same period of 1973-74. This shortfall of 7.5 per cent over the last year's figure was due to breakdown of generator and major repairs necessary to one of the biggest kilns. Profits, however, are not likely to decline. Paucity of raw materials, shortages of wagons and scarcity of cement for building construction may affect sales to a slight extent. But the sales of its products overseas are expected to be doubled during the current year as compared to 1973-74.

News and Notes

The government announced on September 13 the revised scale of fees for submission of applications for consent to the Controller of Capital Issues. The revised fee per application will be Rs 100 for every Rs 10 lakhs or a part thereof, subject to a ceiling of Rs 3500. The new scale of fees which came into effect immediately have been prescribed through an amendment of the Capital Issues (Application for Consent) Rules 1966.

The State Machinery Import Company (SMIC), Iraq, has placed an order with **Tata Exports** for 625 Concrete Mixers, 1500 Diesel Engine Pumpsets and 100 Diesel Engine Dumpers to service their road building, construction and agricultural activities. This order, including the earlier order for 300 Conerete Mixers this year, brings the total value of business secured from Iraq for construction and agricultural equipment, to over Rs 2.7 crores in free foreign exchange. The order will be executed by Tata Exports in association with three leading Indian manufacturers. The Concrete Mixers will be produced by Messrs. Sayaji Iron & Engineering Company Private Limited, the Diesel Engine Pumpsets by Lakshmiratan Engineering Works and the Diesel Engine Dumpers by Road Machines (India) Limited. Deliveries will commence in October and the execution of the order is expected to be completed by early next year.

Syndicate Bank has come out with a new means of mass communication to be employed for the bank's publicity campaign. This bank which has been trying to reach the masses in rural areas with its message of banking is contemplating to employ audio-visual aids to put across its message and acquaint the people with its various services and schemes of savings and finance. The bank is presently launching its publicity campaign by arranging magical performances which mainly consist of items of banking and economic interest. Syndi... is the first bank in t... to employ a magicia... organisation for th... of using his talents ... vices for putting ... message in an effectiv... small places and rura... A formal launching ... bank's publicity c... through magical per... took place on Septem... the bank's head ... Manipal and Mr K. ... Chairman and M... Director of the bank i... ted the campaign.

New Issues

Century Iron and ... Limited, is setting up ... steel plant in the b... area at Malerkotla, ... Sangurur, Punjab, ... manufacture of about ... tonnes of mild steel ing... annum. It proposes t... the capital market by t... of October, 1974 with ... issue of Rs 33 lakhs ... into Rs 31 lakhs equity ... of Rs 10 each and Rs 2 ... preference shares of ... each. Out of this, the In...

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Development Bank of India has underwritten equity shares worth Rs 5.00 lakhs while Punjab Financial Corporation has underwritten the entire preference capital of Rs 2.00 lakhs. The project is estimated to cost Rs 123.00 lakhs. The company expects to commence production by the end of this year. The company is entitled to all the benefits as are available to the industries situated in the industrially backward areas as announced by government of India and all focal point benefits as announced by the government of Punjab. The company also propose to manufacture special steels such as electrode steel, forging steel, cold heading steel, carbon tool steel and silicon manganese steel and a host of other products. The special steels fetch comparatively high price than M. S. ingots and by this diversification the company expects a substantial increase in its profitability.

Capital and Bonus Issues

The union government has granted consent to 20 companies to raise capital amounting to over Rs 10.51 crores. The following are the details:

Orient Rubber Industries Private Ltd has been accorded consent, valid for three months, to capitalise Rs 22,95,000 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in ratio of nine bonus shares for every ten equity shares held.

Maneklal Harilal Spinning and Manufacturing Co Ltd, Ahmedabad, have been accorded consent, valid for three months, for the issue of bonus shares worth Rs 12 lakhs.

The Victoria Mills Ltd, Bombay, have been accorded consent valid for three months. to capitalise Rs 14,08,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of two bonus shares for every five equity shares held.

Kothari (Madras) Ltd, Madras, have been accorded consent, valid for one year, for the issue of redeemable convertible registered debentures worth Rs 30 lakhs, to be placed privately with Life Insurance Corporation of India.

Ahmedabad Cotton Manufacturing Co Ltd, Ahmedabad, will issue bonus shares worth Rs 23,75,000.

Powder Metals and Alloys will capitalize Rs 1,31,400 out of its general reserve and issue fully-paid equity shares of Rs 10 each as bonus shares in the ratio of three bonus shares to every 10 equity shares held.

National Rayon Corporation will issue capital of Rs 1 crore in equity shares of Rs 100 each, Rs 80 lakhs by way of rights shares and the balance through a public issue.

International Conveyors will issue capital to the value of Rs 40 lakhs (inclusive of the capital of Rs 5 lakhs already raised) in the form of 400,000 equity shares of Rs 10 each.

Cheran Engineering Corporation. Pollachi (Tamil Nadu), will issue convertible debentures worth Rs 15 lakhs only to the employees of the corporation.

Sturdia Chemicals Ltd, Bombay, have been accorded consent, valid for three months, to capitalise Rs 5 lakhs out of its general reserve and issue fully paid equity shares of Rs 10 each, as bonus shares, in the ratio of one bonus share for every nine equity shares held.

Ramon and Demm Ltd, Bombay, have been accorded consent valid for three months, to capitalise Rs 75,22,800 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares, in the ratio of four bonus shares for every five equity shares held.

The Kesar Sugar Works Ltd, Bombay, have been accorded consent valid for three months for the issue of bonus shares of the value of Rs 36,91,350.

Joonktollee Tea and Industries Ltd, Calcutta, have been granted consent valid for three months, for the issue of bonus shares of the value of Rs 5 lakhs.

Cambridge Instruments (India) Ltd, Poona, have been granted consent, valid for a period of three months, for the issue of bonus shares worth Rs 1,50,000.

Andhra Sugars Ltd, Tanuku, Andhra Pradesh, have been accorded consent valid for three months to capitalise Rs 1,21,49,120 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of three bonus shares for every five equity shares held.

Soundaraja Mills Pvt Ltd, have been accorded consent, valid for three months, to capitalise Rs 18 lakhs out of its general reserve and issue fully paid equity shares of Rs 100 each, as bonus shares, in the ratio of one bonus share for every equity share held.

Mettur Chemical and Industrial Corporation Ltd, have been granted consent, valid for 12 months, for the issue of convertible registered debentures of the value of Rs 20 lakhs to be privately issued to the UTI. The purpose of the issue is to meet part of finance for the expansion programme of the company.

Vikrant Tyres Ltd, Madras, has been accorded consent valid for 12 months, for the issue of capital of Rs 480 lakhs divided into 38,00,000 equity shares of Rs 10 each and 1,00,000 redeemable cumulative preference shares of Rs 100 each carrying dividend @ 9.8 per cent, for cash at par, out of which equity shares of Rs 325 lakhs and the entire preference shares of Rs 100 lakhs will be offered for public subscription and the balance of Rs 55 lakhs will be subscribed privately by the promoters. The proceeds will be utilised for the implementation of the industrial licence for the manufacture of automobile tyres and tubes.

Sakthi Pipes Ltd, Madras, have been accorded consent, valid for 12 months, for the issue of share capital of Rs 25 lakhs divided into 25,000 equity shares of Rs 100 each, for cash at par, to the friends and associates of the promoters and directors of the company by private subscription. The proceeds will be utilised for financing the working capital requirements and a portion of the earlier commitments.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared	
		Current year	Previous year
Higher Dividend			
Pullangode Rubber and Produce.	March 31, 1974	12.0	10.0
Gangappa Cables	June 30, 1974	12.0	Nil
Same Dividend			
Madanapalle Spinning Mills.	March 31, 1974	12.0	12.0
Reduced Dividend			
Calcutta Steel Co.	March 31, 1974	Nil	10.0
Keycee Industries	June 30, 1974	7.5	8.5
Vardhaman Spinning	March 31, 1974	12.0	15.0
Travancore Sugars & Chemicals	April 30, 1974	Nil	6.25
Deccan Sugar and Abkhari Co.	May 31, 1974	12.0	14.0
Saroja Mills	Dec, 31, 1973	7.0	12.0
Mysore Electrical Industries	March 31, 1974	4.0	10.0
Alageswar Estate	March 31, 1974	Nil	6.0
Mysore Chem. Mfr.	March 31, 1974	Nil	6.0
Rajendra Coffee	March 31, 1974	12.0	40.0
Orient Paper Mills	March 31, 1974	12.0	20.0
Hindustan Wires	March 31, 1974	6.0*	10.0
Estrella Batteries	March 31, 1974	Nil	8.0

* on increased capital

INDIA STEAMSHIP CO., LTD.

Address of Mr. K.K. Birla, Chairman, India Steamship Co., Ltd. (Delivered at the Annual General Meeting of the Shareholders of the Company on the 19th September, 1974).

Gentlemen,

The Audited Accounts and the Directors' Report for the year ended 31st March, 1974, have been with you for some time now and with your permission I shall take them as read.

During the year under review your Company's fleet completed 30 round voyages in the Overseas Trade and two in the Coastal Trade as against 39.5 round voyages, of which 30.5 voyages were in the Overseas Trade and 9 in the Coastal Trade in the preceding year. As mentioned in the Directors' Report, the freight earned during the year was Rs. 19,78,50,573/-.

After providing Rs. 1,79,96,468/- for depreciation and meeting all other normal charges, a balance of Rs. 3,29,31,507/- is left in the Profit and Loss Account. Out of this amount, a sum of Rs. 1,08,00,000/- has been provided for Development Rebate. The balance amount after providing for Income-tax for the year has been transferred to General Reserve.

This year the Directors recommend that out of the General Reserve a sum of Rs 31,32,500/- be distributed to the Shareholders as dividends, Rs. 1,62,500/- to the Preference Shareholders at 5% grossed up and Rs. 29,70,000/- to the Ordinary Shareholders, at 12% subject to tax — the maximum permissible rate in accordance with the provisions to the Companies (Temporary Restrictions on Dividends) Ordinance 1974.

The year that has gone by was a most challenging one, throwing up many crises. In spite of the welcome improvements on a number of fronts, agriculture still remained the weakest spot in our planning.

The severe drought in several parts of the country during the current year has greatly retarded food production and hampered procurement leading to depletion of the foodgrain stock; the widespread scarcity of essential commodities resulted in a steep spurt in price levels; there was a setback in industrial production owing to drastic power cuts, critical shortage of raw materials, labour unrest and acute bottlenecks in the transportation system.

Added to this, the international oil crisis inflicted a severe dent in our economy upsetting all the calculations of the V Plan, besides eroding our limited foreign exchange resources and aggravating the balance of payments position. Thus our economy was bedeviled by the spiralling inflation on the one hand and by the virtual stagnation in industrial growth on the other. The inflation that started over two years back has now assumed menacing proportions, making the lot of the common man more difficult that ever before.

The Government has taken several measures to pull the economy out of the rut. The anti-inflationary package measures initiated to contain the inflationary trend have not however yielded the desired results. On the other hand, the curbs imposed on money supply had adversely affected production. It has to be realised that increase in the production alone could solve the present difficulties faced by the country.

The Indian Shipping Companies particularly those engaged in the overseas trade had therefore to operate under very difficult conditions and the ever increasing operating costs. Added to this, was the problem created by the bunker oil crisis engendered by the cut back in oil supplies subsequent to the Arab-Israeli War. It was difficult for the shipping trade all over the world to obtain sufficient quantities of oil to meet their operational requirements. The increase in the crude oil prices had raised the bunker supply costs and on top of this, there was uncertainty of supply even at the enormously increased price which had made the operation of ships hazardous to say the least. But the shipping industry is accustomed to take such hazards in its stride and this renders it quite a challenging and rewarding experience.

In spite of these odds, the Shipping industry in India is making a satisfactory progress. Although the tonnage in operation at the end of the Fourth Plan period fell slightly short of the target, if the tonnage on order is taken into account, the total Indian tonnage would be found to exceed the overall tonnage target set out in the Plan, which is after all not a mean achievement.

The share of Indian tonnage in the carriage of the country's overseas trade had been around 20%, which is reported to have gone down to 16% due to the participation of the Indian tonnage in cross trade. It has been envisaged in the Fifth Plan that 50% overseas liner trade, imports of crude oil an leum products, iron ports to the extent of Japan and 100% t destinations will be ca the Indian Shipping. to make this possible, get of Indian tonnage V Plan has been fixed million G.R.T. But been outlined above, is launched at a tim economic instability an cial stringency afflict tion. The staggering in the bunker price m affect the world trade a a threat of depression. also a distinct possibilit reopening of the Suez in the near future, whi render a part of the fleet superfluous. But t tor, it is feared, will no down the prices of t ships. The growth of Shipping will have to b within these paramete therefore any effective d ment will, to a large ex dependent on the ment's assistance and s Although the continua the Development Reba another year has beer ceded to the shipping in it has not reached a when it can carry on this concession or at a not without affecting pansion.

The Rupee loan gran the industry by the S Development Fund ttee has been of inv help to the growth of Shipping. The origi jective of the Fund was would be a self-sufficie revolving Fund which be replenished from time by the Governme the budgetary allocatio from the repayment of as also from the interes loans already advanced SDFC. Unfortunately jective has not been fulfilled with the resu the Fund is presently entirely dependent on t ly budgetary provisions situation has rendere availability of loans SDFC, to a great ext

rtain. In the past there have en instances where non-ailability of the SDFC loans e to paucity of its funds have mpered the acquisition and erefore the expansion pro-ammes of the shipping com-nies. Besides, the curtail-ent of funds that are avail-le with the SDFC for the sbursement of loans has oved to be an unexpected rdle in processing negotia-ons for the purchase of ships. hipping industry has been corded a high priority in the lan and it is therefore in-mprehensible that such a tuation should at all be pre-iling. It is particularly cessary for the shipping mpanies to ensure that ade-uate funds would be forth-ming so that they may pro-ed with the acquisition and lfil the tonnage target. Since he construction of ships in-lves a long period of time hipping Companies are re-uired to plan their orders for w ships sufficiently in ad-nce so as to ensure that the elivery of the ships are affec-d within the plan period. It in this context that the neces-ty of making available the pee requirements of loan to e shipping industry to help s unhindered expansion in nformity with the Govern-ent's policy cannot be ade-uately emphasized.

There is a continuous esca-tion in the constructional osts of ships, while at the ame time the main shipbuild-g countries have decided on rther tightening of their redit terms. This will make he developing countries like ndia more dependent on com-ercial banks and other finan-ial institutions for credits lthough at a comparatively igher rates of interest. The hipowners could also conti-ue the borrowing from the uro-Dollar market, but the eavy demand for such loans other European countries as resulted in considerably ushing up the rate of interest n such loans. In a highly apital intensive industry like hipping, the foreign exchange oans secured for acquisition f ships must have an ade-uate backing of the rupee loan on favourable terms. In this context, the provision of Rs. 243 crores in the Fifth Plan to be advanced to S.D.F.C. for extending loan assistance to Shipping Companies, inclusive of the spill over provision of Rs. 37.57 crores in respect of loans sanctioned during the Fourth Plan and an additional Rs. 10 crores provided for towards subsidising the cost of concessional rates of interests on its loans, requires a careful review.

While the Shipping Companies are doing their utmost to fulfil the target of expansion set out by the Government, as has been evidenced in the satisfactory growth of Indian tonnage, a favourable atmosphere conducive to its unhindered and continuous growth will greatly help in attaining the targets. The implementation of the recommendations of the National Shipping Board in respect of the S.D.F.C. loans will go a long way not only towards creating such a favourable atmosphere but also in giving the much needed impetus to the development of the shipping industry.

Shipping, as has been stated earlier, is a highly capital-intensive industry. With a long gestation period, it has to compete in the international market with other maritime countries where attractive fiscal incentives and operational subsidies are a normal feature. Therefore, the justification for giving fiscal concessions to shipping needs no emphasis or elaboration. I therefore once again urge the Government for extending the Development Rebate to the shipping industry. As I stated in my last year's speech, the proposal of 20% initial depreciation is indeed an inadequate substitute for the Development Rebate, since the industry needs assistance in different ways not only for its expansion but also for enabling it to face stiff competition to which it is invariably exposed.

The first stage in the reopening of the 101 mile long Suez Canal to International Shipping has already started and the Canal will be cleared of mines, wrecks and other obstructions. It is expected that the Canal will be reopened latest by the middle of next year. As mentioned earlier, its reopening is bound to make a part of the world fleet superfluous and this has created a sense of uncertainty in the world shipping. This will have its repercussions on shipping prospects in general and the Indian shipping cannot escape it either. Despite all these problems that confront the shipping industry — which has now firmly established itself — the industry is capable of surmounting all these difficulties and maintaining its steady progress.

I am happy to inform you that as has been stated in the Directors' Report the Company has added 3 ships to its fleet during the year. Two of these ships have already been taken delivery of and the third one is expected to be delivered in a couple of months. These are very modern and sophisticated ships which are eminently suited for the Company's purpose. The fleet of the Company will be further augmented by the addition of the first of the two ships that are being built for the Company by the Hindustan Shipyard, within the course of this year. With these additions the Company would be better equipped to serve the trades.

The expansion programme of the Company is under active consideration so as to serve the export needs of the country by diversification of its trade and also by making more space available for carriage of goods. In furtherance of this policy, the Company has signed an agreement for placing an order for two ships with Hindustan Shipyard Ltd., and is also on the look out for the purchase of suitable vessels.

I take this opportunity to extend a cordial welcome to Shri Kamalapathi Tripathi who has taken over as the new Minister of Shipping and Transport. It is fervently hoped that he will successfully pursue and fulfil the far sighted policy that was laid down by his predecessor, Shri Raj Bahadur. Shri Raj Bahadur by his vigorous and dynamic policy had given an impetus to Indian shipping and his successor with his acumen, administrative experience and foresight is ideally suited to further that policy with such innovations as would help the shipping industry.

The Secretary of the Ministry of Shipping and Transport, the Joint Secretary and the Director General of Shipping and his assistants with whom we have been in close touch, have rendered us invaluable help with their advice and guidance. We are thankful to them. We are also thankful to the Shipping Development Fund Committee for their co-operation and assistance.

We are thankful to the staff, both afloat and ashore, for the care with which they have looked after the affairs of the Company during the year and to them I should like to express our thanks.

I would also like to thank all the officers and staff of the Company in India and overseas for their interest in the progress of the Company and for their diligence in carrying out their duties.

Our thanks are also due to our Agents, both in India and abroad, for the care with which they have attended to our ships' requirements in respect of freight and also in several other directions.

Our thanks are also due to shippers, both in India and abroad, who have extended their continued and firm support to us.

Thank you,

RECORDS AND STATISTICS

Reserve Bank emphasizes non-monetary remedies

THE CHANGES in monetary and credit policy effected by the Reserve Bank and the measures taken by the government in the areas of fiscal and administrative control may further restrain the growth in money supply and thereby mitigate the inflationary pressures emanating from the demand side. But, in order that these measures have a major impact, it is clearly important that non-monetary policies are also implemented to ensure a better flow of goods and discourage stockpiling. This is emphasised in the Annual Report of the Central Board of Directors of the Reserve Bank of India for the year ended June 1974.

Viewing the overall trends in the economy during the year, the Annual Report observes:

"A variety of internal and international factors combined to make 1973-74 (July-June) a year of unprecedented inflation. Prices moved up more rapidly and over a wider area than in the preceding years. Despite the measures taken to curb these tendencies, expectations throughout the year continued to favour further price increases. Both manufacturers and consumers tended to buy not only for current use but for meeting future needs as well. These demand pressures were intensified to some extent by the use of unaccounted money for the purchase of goods and services".

In such a situation and recognising the requirements of increased production and exports and greater facility for movement of goods, the Reserve Bank, according to the Report, took the deliberate decision to implement its credit policy in a flexible manner, and permit selectively the extension of credit to sectors expansion in whose activity is in conformity with national objectives. In the process, it had to allow an increase in commercial banks' resort to RBI refinance and bill rediscounting. (Setting off the additional deposits of banks with the Reserve Bank in excess of the statutory three per cent, the net assistance provided by the Reserve Bank in these two ways was at its peak, roughly Rs 425 crores during the 1973-74 busy season). The other alternative open to the Reserve Bank was rigid adherence to the quantitative ceiling on credit stipulated at the beginning of the busy season when some of the needs that arose subsequently could not be anticipated. This course was not adopted, since it could have had an adverse impact on the production, export and distribution of essential goods.

Actual expansion of credit during the 1973-74 busy season exceeded the quantitative ceiling indicated at the commencement of the season. This should not, however, create an impression that the credit restraint measures were not pursued with rigour. Banks had modation, which was discretionary; this enabled the Bank to exercise better control over the commercial banks in regard to sectoral deployment of incremental credit. Gross bank credit (including bills rediscounted) increased by Rs 1,175 crores (18.1 per cent) during the 1973-74 busy season, against Rs 916 crores (17.4 per cent) in the previous busy season. Of this increase, food procurement advances accounted for Rs 190 crores (Rs 6 crores in the 1972-73 busy season), export credit for Rs 214 crores (Rs 114 crores), public sector undertakings for Rs 125 crores (Rs 86 crores) and other priority sectors (small industry, agriculture, etc) for Rs 219 crores (Rs 122 crores).

As a result of the relatively higher rates of growth in credit to these sectors, they accounted for 63.6 per cent of the total credit expansion in the 1973-74 busy season, against 35.8 per cent in the preceding busy season (Rs 748 crores, against Rs 328 crores). Increase in bank credit to public sector undertakings was to some extent a consequence of the policy of transferring in part certain of the responsibilities to the banking system which were earlier met through the budget. Bank advances to the residual sector (mostly large and medium industries in the private sector) showed a relatively low rate of growth (12.4 per cent or Rs 427 crores) whether compared to the overall credit expansion in the 1973-74 busy season (18.1 per cent or Rs 1,175 crores) or the expansion of credit to this sector in the previous busy season (20.6 per cent or Rs 588 crores). The share of this sector in the busy season credit expansion was 36.4 per cent in 1973-74, against 64.2 per cent in 1972-73. Thus the greater part of the increase in credit during the 1973-74 busy season was for the benefit of the export and public enterprise sectors. On the other hand, credit to industry and sonal credit expansion—was subjected to severe restraint in

While there is ro improvement, the pol far pursued has resu a more careful scrut the loan applications an ter attention to the sanc of fresh limits by bank rally. There has been nounced upward shift cost of credit and most banks are charging n and large industries than the stipulated mi rate of 12.5 per cent. balance, it would appea credit expansion with th of discretionary assi might bring about more c ble sectoral deployme credit than if no such c were excercised. Since misation of resource allo in favour of productive ties is an important obj of development finance, aspect of credit polic bound to be of long-ter portance. Efforts will therefore, to be intensifi the direction of improvin evaluation of sectoral and efficiency of the o sational structure for de ing credit. These orga tional changes are all the important in the shor when, according to al dications, there is unlikel be any slackening in th mand pressures on bank during 1974-75.

In order to restrai demand for credit, s measures were taken by Reserve Bank during 1974. The Bank Rate raised from 7 per cent to cent. At the same time minimum lending rat banks was raised from 1 cent to 12.5 per cent (e in the case of a few exe categories), the minimum count rates on bill financ drawers' bills from 9. cent to 11 per cent, the on drawees' bills from 1 cent to 12.5 per cent, t trade in the private s —which in the past use absorb the major part o port credit rate from cent to 10.5 per (except in the case o ports on deferred pa terms, the rate on whic

ined unchanged at 7 per nt) and the rate on food ocurement credit from 9 per nt to 11 per cent for the Food orporation and to 12 per nt for state governments d their agencies. Banks ere also required to scrutise top 50 accounts with a ew to reducing their reurce to banks' credit and to suring its proper utilisation. multaneously, in order to sist deposit mobilisation d encourage savings, inter- t rates on various categoes of commercial bank deosits were increased.

The Report has pointed ut that credit and fiscal polies have to be supplemented y a variety of non-monetary easures, if there is to be a ajor impact on inflation. ome of the policy areas indited are:

The primary element in any oncerted action against inflaon is the restraint of wageoods prices, especially prices f food articles. Vigorous eps will, therefore, have to e taken by the authorities to ecure an efficient functioning f the public distribution sysm for such commodities. owards this end, the governent has sought to augment omestic availabilities of foodrains through some imports. ut given the constraints of oreign exchange, it is evident hat there can only be a limied volume of imports; therefore the improvement in foodrains supply has necessarily o be based on sizeable omestic procurement in one orm or another. The importance of devising policies which facilitate better market upplies of kharif crop cannot e overstressed. As past experience has shown, any significant increase in the procurement price could have the ffect of generating expectaons of a continuing rise in rices and reducing market rrivals. Hence, it is preferable to utilise methods other han the offer of additional rice incentives for obtaining ne supplies needed by govrnment for controlled distriution.

Since the monetary and fiscal measures that have been taken for curbing demand, which will necessarily have to continue, will impinge to some extent on investment for enlargement of productive capacity in both public and private sectors, it becomes necessary for government to pay special attention to securing larger production from the capacities already existing, particularly in agriculture and basic industries, power and transport. It would be desirable to prevent diversion of scarce inputs like cement, steel, non-ferrous metals and petroleum products for production of non-priority goods and services. To ensure improved power supply it would be necessary to take steps to promote better working of power undertakings particularly of the State Electricity Boards. Apart from any incentives that may be useful in raising the productivity of labour and other resources, there is need to eliminate the production losses arising from organisational deficiencies, administrative delays and lapses in coordination of effort.

Simultaneously with demand curbs and output increases, stern measures are required to deal with unaccounted income and illegal transactions. The problems here are essentially those of strict enforcement of tax laws, streamlining of controls and imposition of deterrent penalties on the transgressors.

While continuous curbs will have to be maintained on the growth in money supply, it would be a mistake to seek to remedy the present problems through such measures as a sudden sweeping cut in money stock, both currency and bank deposits, as has been suggested recently. Such a measure would not affect accumulated stocks of commodities; it would also leave unaltered the monetary value of existing contractual obligations. Apart from shaking the people's confidence in currency and bank deposits, these apparently drastic measures do not necessarily make the holding of illegal or speculative stocks of commodities difficult or unattractive. The presumptions underlying this kind of approach—that the money stock can be reduced very quickly, and that such reduction will immediately cause a drastic fall in both spot and anticipated prices—are, in our conditions at any rate, unwarranted.

Control over demand expansion, which will have impact on growth of money supply, has to be achieved through restraint in the domestic spending of public and private sectors. The government has already stated its policy to limit budgetary deficits to the amounts shown in the budgets for 1974-75. Correspondingly spending by the commercial and household sectors have to be confined to the availability of non-inflationary sources of finance.

Barring some seasonal expansion which is essential, recourse to credit should be restricted to what commercial and co-operative banks can provide on the basis of deposit accretions, after fulfilling their statutory obligations in respect of cash reserves and liquidity. With the increase in cost of credit, closer scrutiny of loan operations, and limitation of access to the refinancing and rediscounting facilities at the Reserve Bank already in operation, it should be possible to ensure that provision of credit to the commercial sector in the year 1974-75 will coutinue to be on a stringently controlled basis. Given such regulation on the credit side, and assuming that deficit financing by the government will be held at a low level, the rate of growth of money supply in coming year should be considerably less than in the past two years.

Determined efforts have to be made to achieve a progressive increase in agricultural and industrial production if the inflationary pressures are to be curbed effectively. In the agricultural sector especially, it would be necessary to accelerate technological and institutional changes for securing larger outputs. The establishment of a strong uptrend in agricultural production would have a major impact on wage-goods prices, and on raw material costs in several industries. Alongside of this, if the power and transport bottlenecks are mitigated and scarce raw materials allocated in a manner benefiting priority industries, it would be possible to step up the rate of growth of real output in the economy sufficiently to avoid a recurrence of the pressure on prices. Without such developments on the supply side, it would not be realistic to expect a quick transition to conditions of normalcy.

II

The main developments in the Indian economy as reviewed in the annual report of the Reserve Bank are summarised below:

A variety of internal and international factors combined to make 1973-74 (July-June) a year of unprecedented inflation. Prices moved up more rapidly and over a wider area than in the preceding years. Despite the measures taken to curb these tendencies, expectations throughout the year continued to favour further price increases. Both manufacturers and consumers tended to buy not only for current use but for meeting future needs as well. These demand pressures were intensified to some extent by the use of unaccounted money for the purchase of goods and services. Simultaneously, price increases of the past were being translated into higher costs in virtually all sectors of the economy. Altogether, the situation at the end of the year was such that, unless adequate steps were taken, there was a danger of further accentuation of inflationary tendencies.

The increase in aggregate output during 1973-74 was clearly larger than in the two preceding years. This did not, however, get reflected in any moderation of price

movements, partly because aggregate domestic expenditure continued to expand, but principally on account of shortcomings in regard to procurement and distribution of food articles, provision of power and transport facilities, and maintenance of industrial peace.

Besides demand pressures, cost factors were also responsible for pushing up prices in the last twelve months. The continuing increase in the prices of wage goods led inevitably to a revision of pay and other emoluments in both public and private sectors, enhancing labour costs generally. The controlled prices of many agricultural and industrial commodities were raised substantially and these, together with the annual additions to excise and sales taxes, pushed up production costs in a chain reaction. Side by side with these internal developments, steep increases in world prices of food articles as well as of basic metals and chemicals intensified the pressure on costs and prices in India. In the last quarter of 1973, the situation was worsened by the large increase in the price of petroleum and petroleum products. Speculative currency movements and floating exchange rates magnified the uncertainties in world markets generally, and contributed to the transmission of inflationary influences from one country to another. India could not be, and was not, immune to these influences from abroad. Price increases in India were thus neither an isolated nor a purely monetary phenomenon.

The provisional estimates of national income for 1972-73 indicate a growth rate of only 0.4 per cent (at 1960-61 prices), showing a further decline from the low 1.7 per cent registered in 1971-72. Though official estimates for 1973-74 are not yet available, there is little doubt that a substantial improvement in growth rate was achieved. In the government of India's Economic Survey for 1973-74 (prepared in February 1974), national income in real terms—that is at 1960-61 prices—is estimated to have risen by about 6 per cent. While the rise might well have been of this order, it should be noted that the increase was in relation to a year of very poor performance.

The reversal of the declining trend in national income in 1973-74 is attributable primarily to sizable increase in the output of both foodgrains and other agricultural products, although the actual output of foodgrains was considerably short of the overall target of 115 million tonnes. However, taking into account the increase in population in the meantime, the per capita availability of most commodities could not have been better than in 1970-71 or 1971-72. Further, due to the sharp decline in output during 1972-73, there was, in addition to the demand for current consumption, the demand for replenishment of depleted stocks. Aided by strong expectation of a price rise, these continued pressures further aggravated the shortages.

In the calendar year 1973, there was virtual stagnation (0.7 per cent rise) in overall industrial production as compared to the 7.1 per cent rise in 1972 due to power shortages, transport bottlenecks, paucity of raw materials and labour unrest. Nearly 60 per cent (by weightage) of the industries showed declines in production, against 10 per cent in 1972.

Intense demand pressures persisted throughout the year, thanks to increased expenditures in both government and private sectors. The aggregate expenditure of central and state governments during 1973-74, recorded a rise of 10.2 per cent over 1972-73. Despite an increase of 11.0 per cent in receipts (revised estimates), there would have been a combined overall deficit of Rs 861 crores. But the latest figures available now show that the actual deficit was substantially less at Rs 495 crores.

As against the budgetary expectation of a saving of 14.6 per cent of the central government's current income in 1973-74, only 8.3 per cent could be saved. With a sharp reduction in the gross savings of departmental undertakings, ascribable mainly to net loss incurred by Railways, the ratio of public sector's savings to national income is estimated to have declined considerably in 1973-74, notwithstanding an improvement in the savings of non-departmental undertakings. Altogether, it would appear that the upsurge in consumption expenditure at current prices has been relatively more than the increase in national income. Hence net domestic savings as a proportion of net national income declined to 9.9 per cent, from 11.0 per cent in 1972-73. Net inflow of external resources also declined, albeit marginally. Consequently, the increase in net investment at current prices was smaller than that in net national income; and net investment as a proportion of national income declined sharply.

Imbalances in supply and demand, made worse by inflationary psychology and cost escalations, were bound to influence the behaviour of prices. The wholesale price index recorded a rise of 27.9 per cent in 1973-74 (year ended June), as against a rise of 21.5 per cent in the previous year. As in the last year, a steep rise in the prices of food articles was the major element in the ascent of the price index. Sharp increases in cereal prices were partly due to substantial revisions in procurement prices and, in the case of wheat, also on account of change in the basis of computing the index. To a large extent, however, much lower rates of growth in actual output of wheat and coarse grains than envisaged originally contributed to a serious imbalance between the supply and the demand from a steadily increasing population. Stagnant pro tion in recent years expla a further rise in the price pulses. In sugar and ec oils, increased produc could only slightly sub the rates of increase in pri

The central governme expenditure, which was have declined by 2.6 per in terms of 1973-74 (A March) budget estimates corded an increase of 5.8 cent, ascribable solely to rise of 14.2 per cent in r developmental expendit while developmental expe ture (largely its investn component) recorded a of 2.6 per cent. A numbe expenditure control meas taken by the central gov ment helped the cen 'budget deficit' to be lim to Rs 320 crores and the RBI credit to governn sector to Rs 764 cr However, it was only in last few months of the fi year that reduced spendin government was achie The state governments their combined deficit n or less within the limit a cipated in their budgets. against the originally a cipated deficit of Rs crores in 1973-74, the rev estimate of deficit was marginally higher at Rs crores. More recent h however, indicate a l deficit of Rs 175 crores.

It would appear tha state governments have restrain demand pres emanating from their bu tary operations. Their resource mobilisation effo 1974-75 is expected to noticeably better than 1973-74. But, in view o increased provision for tional dearness allow payments to state govern employees, more steps have to be taken to additional resources if de pressures are to be averte

Money supply regis an expansion of Rs 318 c in the 1973 slack season (October)—mainly during month of October—du large increases in bank to both government and

sectors. There was a Rs 602 crores in net dit to the government nd of Rs 432 crores in nk credit to the com- sector, including public enterprises and state nents for commercial s. The expansionary n money supply gather- derable momentum in 73-74 busy season as revious season. Even increase was lower at 6 crores (+12.8 per gainst Rs 1,289 crores per cent). However, in the 1972-73 busy when net bank credit overnment sector was icant element in money expansion owing to udgetary deficits, such increased by only Rs res in the 1973-74 busy at this level it was ne-third of the increase crores) in the 1972-73 eason and the lowest ast four busy seasons. BI credit to government ed by only Rs 193 crores 1973-74 busy season, Rs 971 crores and Rs res, in the preceding two seasons, respectively. g the whole of 1973-74 une), money supply rose s 1,425 crores, against 439 crores in 1972-73. crease in the net RBI to government was at Rs 421 crores, against 5 crores, while the se in gross bank credit commercial sector was at Rs 1,724 crores, t Rs 1,195 crores.

ter the large expansion nk credit during the 73 busy season, the situa- as held in check during of the 1973 slack season. en end-April 1973 and ugust 1973, the net ex- on in total bank credit onfined to Rs 48 crores. was, however, a large sion of Rs 266 crores in ast two months of the n, that is, between end- st and end-October. In words, the actual increase al bank credit during the slack season was was Rs crores, against Rs 67 s in the 1972 slack season. Aggregate deposits went up by Rs 900 crores, against Rs 705 crores. During the 1973-74 busy season, total bank credit rose by Rs 1,037 crores against Rs 897 crores in the previous busy season. Aggregate deposits increased by Rs 682 crores, against Rs 811 crores. Taking the year (July 1973 to June 1974) as a whole, total bank credit registered an expansion of Rs Rs 1,321 crores (20.6 per cent), against Rs 932 crores (17.0 per cent) in the previous year. In contrast, the growth rate in aggregate deposits, which had slided down from 22.4 per cent (Rs 1,393 crores) in 1971-72 to 20.4 per cent (Rs 1,556 crores) in 1972-73, declined further to 16.0 per cent (Rs 1,470 crores) in 1973-74.

In order to enable banks to plan properly their credit portfolios during the year 1974-75, an indication of the general line of policy for the future was given to banks in April 1974, just as the 1973-74 busy season was ending. The need for reducing the rate of increase in bank credit was stressed. While lendable resources impounded for one year—as then stipulated by raising the cash reserve ratio by two percentage points from end-June 1973—were released from end-June 1974 (on the expiry of the year), the statutory minimum liquidity ratio was simultaneously stepped up by one percentage point to 33 per cent. The minimum cash reserve ratio now stands at five per cent (as compared with three per cent for all these years until after June 1973). In order to restrain the pressure of demand on credit, several measures were taken by the Bank in July 1974. Bank Rate was rised from 7 per cent to 9 per cent. At the same time, the minimum lending rate of banks was raised from 11 per cent to 12.5 per cent (except in the case of a few exempted categories), the minimum discount rate on bill finance for drawers' bills from 9.5 per cent to 11 per cent, the rate on drawees' bills from 11 per cent to 12.5 per cent, the export credit rate from 9 per cent to 10.5 per cent (except in the case of exports on deferred payment terms, the rate on which remained unchanged at 7 per cent) and rate on food procurement credit from 9 per cent to 11 per cent for Food Corporation and to 12 per cent for state governments and their

INDUSTRIAL FINANCE CORPORATION OF INDIA

6% BONDS 1984

PAYMENT OF INTEREST AND REPAYMENT OF PRINCIPAL GUARANTEED BY THE GOVERNMENT OF INDIA

AMOUNT OF ISSUE : Rs. 10,00,00,000.
ISSUE PRICE : Rs. 99/- per cent

REDEEMABLE AT PAR ON THE 28TH SEPTEMBER 1984.

The Bonds are approved securities under the Indian Trusts Act, the Insurance Act and the Banking Regulation Act, and are also eligible for grant of advances to scheduled banks by the Reserve Bank of India. These are on the approved list of securities of the State Bank of India and are also eligible for investment of the accumulations of the provident Funds exempted as well as non-exempted.

Subscription will be received in cash/cheque or 4½% I.F.C. Bonds 1974 due for redemption on the 28th September 1974 at the Branches of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay, Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna from Saturday, the 28th September, 1974. The list will be closed without notice as soon as the total subscriptions amount to Rs. 10.00 crores, and in any case, not later than the close of business on Friday, the 4th October, 1974. The Corporation reserves the right to retain subscriptions received upto 10% in excess of the sum of Rs. 10.00 crores.

The Bonds will have a currency of 10 years, and will be repaid at par on the 28th September, 1984. These will bear interest at the rate of 6% per annum from the 28th September, 1974. Interest will be payable half-yearly on the 28th March and 28th September and will be subject to tax under the Income Tax Act 1961.

Conversion Terms

4½% IFC Bonds 1974, due for redemption on the 28th September, 1974, will be accepted at par in payment of subscription to 6% IFC Bonds 1984. If the cash value of 4½% Bonds 1974 tendered for conversion is not an exact multiple of the issue price per cent of the 6% IFC Bonds 1984, applied for, the tenderer will receive in cash at the time of issue of new Bonds the amount by which the value of the Bonds tendered exceeds the nearest lower multiple of the issue price. Interest on 4½% Bonds 1974 will be paid at the stipulated rate of 4½% p.a. upto and inclusive of 27th September, 1974 at the time of issue of the Bonds.

Copies of the prospectus and application forms can be had from the offices of the Reserve Bank of India as also from the Head Office of the Corporation at Bank of Baroda Building, 16-Parliament Street, P.B. No. 363, New Delhi-1, its Regional/Branches/other offices at (i) Mehta Mahal, 5th Floor 15-Mathew Road, Post Box No. 3928, Bombay-400004, (ii) 4-Mangoe Lane, 2nd Floor, Post Box No. 2483, Calcutta-700001, (iii) Raji Building, 3rd Floor, 147-Mount Road, Post Box No. 1080, Madras-600006, (iv) Near Lal Bungalow, Chimanlal Girdharilal Road, Ellis Bridge, Ahmedabad-6, (v) 3-6-15, Shayeedyarjung Lane, P.B. No. 1037, Himayatnagar, Hyderabad-500029, (vi) 22, Mahatma Gandhi Road, Post Box No. 5091, Bangalore-560001, (vii) Jeevan Tara Building, 1st Floor, Gate No. 3, 5-Parliament Street, Post Box No. 182, New Delhi-110001, (viii) Kaliram Medhi Road, (Ranibari Lane), Post Box No. 30, Panbazar, Gauhati-781001, (ix) 'Karuna' (2nd Floor) XXIII/1311-D, Mahatma Gandhi Rd., Ernakulam, Cochin-682011, (x) E-1/23, Arera Colony, Bhopal, (xi) Bangalow No. 216, Sector 11-A, Chandigarh-160011, (xii) 20, Forest Park, Bhubaneswar-9, (xiii) Aggarwal Building (1st Floor), Canal Crossing, The Mall, Post Box No. 319, Kanpur-4, (xiv) 43, Pataliputra Colony, Patna-13, (xv) SB 38/A Bhawani Singh Marg, Bapunagar, Jaipur, (xvi) 9, Galaxy, 353A Boat Club Road, Poona-1.

Arrangements will be made for listing of these Bonds at the Bombay, Calcutta and Madras Stock Exchanges.

Brokerag will be paid at the rate of six paise per Rs. 100/- to recognised banks and brokers on allotments made in respect of applications for the Bonds tendered by them and bearing their stamps.

C.D. Khanna
CHAIRMAN

NEW DELHI,
DATED THE SEPTEMBER, 1974.

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agencies. While all these measures operated through the rise in cost of credit, banks were asked to scrutinise the top 50 accounts with a view to reducing the commercial sector's recourse to bank credit and to ensuring its proper utilisation. Simultaneously, in order to assist deposit mobilisation and encourage savings, interest rates on various categories of commercial bank deposits were increased. The maximum rate payable on deposits of over five years was raised from 8 per cent to 10 per cent per annum.

During the year 1973-74 (July-June), commercial banks opened 1,593 offices in India, against 1,756 offices opened in 1972-73 and 1,612 offices in 1971-72. While it might appear that the branch expansion tempo of the earlier years was not sustained in 1973-74, it should be recognised that this was achieved despite the diminishing number of identified locations with basic infrastructural facilities and the intensifying manpower constraint. As in the past, the bulk of the new offices (1,206 or 76 per cent) was opened by public sector banks.

At the end of September 1973, total advances to priority sectors amounted to Rs 1,560 crores, more than three times such advances in June 1969. Direct finance to agriculture, which was negligible in 1969, accounted for nearly a quarter of the group total in September 1973. Advances to retail trade, small business and transport operators constituted the balance. The banks further developed the area approach which aims at an intensive coverage of selected areas for meeting the total credit needs of borrowers and for ensuring effective supervision over the end-use of loans. The total number of villages adopted by the nationalised banks as at the end of June 1973 was 9,631. In addition, one bank adopted 67 compact Area Integrated Development Centres. The modifications in the scheme of differential interest rates, effected in March 1973 with a view to bringing under its purview a larger number of persons from the weaker sections of the society, seem to have imparted a wholesome effect. Advances outstanding under the scheme, which increased from 87.26 lakhs spread over 26,202 accounts in December 1972 to Rs 4.33 crores spread over 1,08,178 accounts in June 1973, rose sharply to Rs 10.85 crores spread over 2,56,237 accounts at the end of March 1974. The average amount per account rose from Rs 333 in December 1972 to Rs 423 in March 1974.

In the sphere of cooperative banking, the main emphasis was on aligning policies with measures adopted to attain the overall objectives of monetary and credit restraint. The procedures and practices followed by cooperative banks were geared to subserve this purpose. At the same time, efforts were continued to reduce regional imbalances in credit distribution and extension of assistance largely in favour of the small and economically weak farmers. Steps were also taken to rehabilitate weak cooperative banks and provide incentives to them to become viable units.

The Reserve Bank sanctioned during the year 1973-74 credit totalling Rs 431 crores to state cooperative banks for financing seasonal agricultural operations and marketing of crops at a concessional rate of two per cent below the Bank Rate, against Rs 416 crores sanctioned in 1972-73. The outstanding as on June 30, 1974 stood at Rs 151 crores, against Rs 145 crores. The medium-term loans sanctioned by the Bank at a concessional rate of 1½ per cent below the Bank Rate amounted to Rs 12 crores, against Rs 9 crores. The outstandings as on June 30, 1974 were Rs 20 crores, against Rs 17 crores. The Bank also sanctioned medium-term credit limits of Rs 22 crores at 1½ per cent below the Bank Rate for conversion of short-term loans into medium-term loans in the scarcity-affected areas. Loans amounting to Rs 8 crores were sanctioned during 1973-74 out of the National Agricultural Credit (Longterm Operations) Fund for contribution to the share capital of cooperative crrdit institutions. The outstanding loans given by state cooperative banks for various purposes as on June 30, 1973 stood at Rs 623 crores, of which the amount owed to the Reserve Bank was Rs 259 crores.

There was a significant step-up of Rs 133 crores in sanctions and Rs 75 crores in disbursements of financial assistance provided by term-lending institutions during 1973-74 (April-March), against a fall of Rs 9 crores in sanctions and a small rise of Rs 15 crores in disbursements in 1972-73. The increase in sanctions was mainly on account of the substantial rise of Rs 126 crores to Rs 366 crores in the rupee loans sanctioned. Foreign currency loans sanctioned by ICICI marked a substantial rise, while those sanctioned by IFCI were maintained at the previous year's level. Though the total assistance sanctioned by all term-lending institutions by way of underwriting and direct subscriptions to shares registered a rise, subscriptions to debentures were lower. The rise in sanctions was due mainly to the remarkable rise in the total sanctions of IDBI. The IDBI continued to concentrate on several measures (initiated since 1970) relating to promotional and developmental activities for meeting the twin-objectives of balanced regional development and acceleration of industrial growth.

The situation in the external world was not such as to moderate the effects of supply-demand imbalances in the domestic sector. The export performance was certainly impressive in several respects. Exports during the financial year 1973-74 recorded a remarkable increase of 23 per cent over the previous year. In the context of the hi of demand in the r world, India's expo tinued to be buoyant value realisations in r several traditional a traditional items impr port payments, howe significantly higher, w inflow of external was somewhat lower. result, excluding t drawals of Rs 355 cro the IMF and omitt net increase attributab appreciation of some currencies held, the exchange reserves de 1973-74 by Rs 117 c against the marginal Rs 3 crores in 1972-73. year 1973-74 as a whol was a trade deficit of crores, as against plus of Rs 164 c 1972-73.

An important deve in the sphere of exchan trol during the year coming into effect, on 1, 1974, of the Exchange Regulation 1973, which replaced th act (Foreign Exchange tion Act, 1947). development was the instituted by the Ba providing protection the adverse effect of tions in exchange rates export earnings of exp goods on deferred terms.

The Reserve Bank's (after making adjustm various provisions) dur accounting year ende 1974 was Rs 310.48 cr compared with the year's income of Rs crores. Total exp amounted to Rs 50.48 against Rs 41.29 crores appropriate transfers Rs 115 crores to the I Agricultural Credit (Lo Operations) Fund, Agricultural Credit (S tion) Fund and Industrial Credit (Lo Operations) Fund, the profit set aside for to central governm Rs 145 crores, aga 130 crores in the year.